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- You will not be asked to share your personal financial information, nor will anyone contact you after this class for the purpose of selling financial products or services
- Certain hypothetical examples will be presented today and are not intended to pertain specifically to anyone in attendance
- Ann Vanderslice is a registered representative of Cabot Lodge Securities, LLC and an Individual Advisory Representative of CL Wealth Management. Ann Vanderslice, Retirement Planning Strategies, and Cabot Lodge Securities, LLC and Cabot Lodge Wealth Management are unaffiliated entities



# Maximizing Your Federal FERS Benefits

Presented for:  
Colorado Federal Executive Board  
Colorado Springs, CO  
June 9, 2015

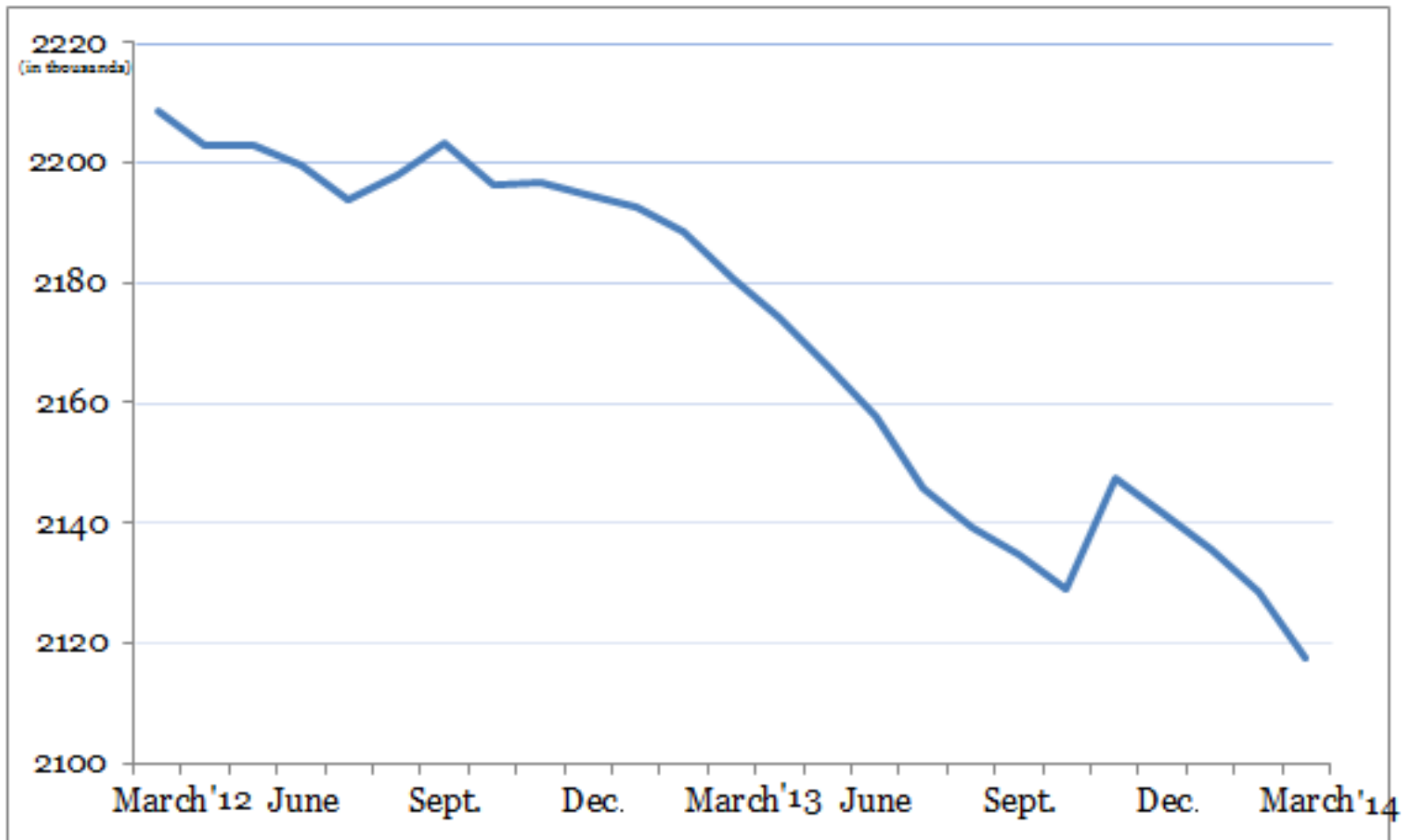
**Presenter: Ann Vanderslice**

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## Civilian Federal Jobs



GovExec

Data: BLS



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HEY,  
WHERE'S NED?  
WE NEED  
HIM FOR  
THIS CASE.

HE  
RETIRED  
LAST  
MONTH.



HOW ABOUT  
JAKE?

OUT ON  
FURLOUGH.

BARNEY?

HE'S A  
CONTRACTOR  
NOW.



HOW ARE WE  
GOING TO DO  
THIS?

I  
DUNNO.

I'M  
OUTTA  
HERE.





# 6 Areas Where Congress Tried To Squeeze Federal Benefits in 2015

**1. Retirement Contributions** - Proposed to increase retirement contributions from .8% to 6.35%.

**2. FERS Supplement** - The FERS Supplement would be phased out.

**3. Thrift Savings Plan** - The current interest rate paid on the G Fund would be reduced to approximate money market like funds.

**4. Hiring Freeze** - For every 3 federal employees who left or retired, only one could be replaced.

**5. Civil Service Protections** - Lawmakers looked to hold federal executives responsible for actions and loosen firing process.

**6. Government Shutdown** - Will Congress be able to agree on spending bills?

# What We Will Cover Today:

Getting And Keeping Important  
Documents Together



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# What We Will Cover Today:

## FERS Magic Numbers



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# What We Will Cover Today:

When Can You Retire?



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# What We Will Cover Today:

You're Eligible to Retire –  
Now What?



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# What We Will Cover Today:

Retiring Under a VERA or  
VERA/VSIP



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# What We Will Cover Today:

How Much Will Your Pension Be?



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# What We Will Cover Today:

If You're Married, Should You  
Take Survivor Benefits?



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# What We Will Cover Today:

What If You Become Disabled  
Before Retirement?



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# What We Will Cover Today:

When Should You Collect  
Social Security?



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# What We Will Cover Today:

Do You Get Raises In Retirement?



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# What We Will Cover Today:

What Are Your Choices In TSP  
While You're Working?



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# What We Will Cover Today:

## Understanding The Impact Of Your TSP In Retirement



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# What We Will Cover Today:

How To Choose The Best Health  
Plan For You And Your Family



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# What We Will Cover Today:

## Maximizing The Value Of The Flexible Spending Account



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# What We Will Cover Today:

Coordinating FEHB and Medicare



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# What We Will Cover Today:

How FEGLI Works For You



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# What We Will Cover Today:

FLTCIP 2.0 – The Longest  
Acronym In Federal Benefits



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# What We Will Cover Today:

## Tax Implications While Working



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**Assuming you intend to retire at age 65, you should aim to accumulate savings equal to:**

- A. 2 times your final annual salary
- B. 5 times your final annual salary
- C. 10 times your final annual salary
- D. 20 times your final annual salary



**It doesn't matter how old you are when you begin to take your Social Security benefits. You get the same amount no matter your age.**

- A. True
- B. False



**If an individual needed long-term care today, what would be the average annual cost for a private room in a nursing home?**

- A. \$44,000
- B. \$63,000
- C. \$72,000
- D. \$84,000



# How much should you withdraw from your portfolio in your first year of retirement?

- A. 3%
- B. 4%
- C. 5%
- D. 6%



1. Source: Based on Monte Carlo simulations using reasonable capital market expectations.

Source: "Retirement Spending: The 4% Solution", by Rande Spiegelman, August 26, 2006, and "Build Your Retirement Portfolio to Last", Rande Spiegelman, updated May 21, 2009.



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# How often should you rebalance your retirement portfolio?

- A. Monthly
- B. Quarterly
- C. Annually
- D. Every 2 years



<http://content.schwab.com/web/retail/public/retirement/quiz/quiz.html>



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# Important Documents

Certified Copy of Birth Certificate

DD214 – Certifies Military Service

SF-50's – Official Personnel File

Social Security Statement

Marriage Certificate (if married)

Divorce Decree (if divorced)

Receipts for any Deposits/Redeposits made

Beneficiary Forms

Last Paycheck – SF 1152

FEGLI – SF 2823

Annuity (if single) - SF 3102 (FERS)

Thrift Savings Plan – TSP 3



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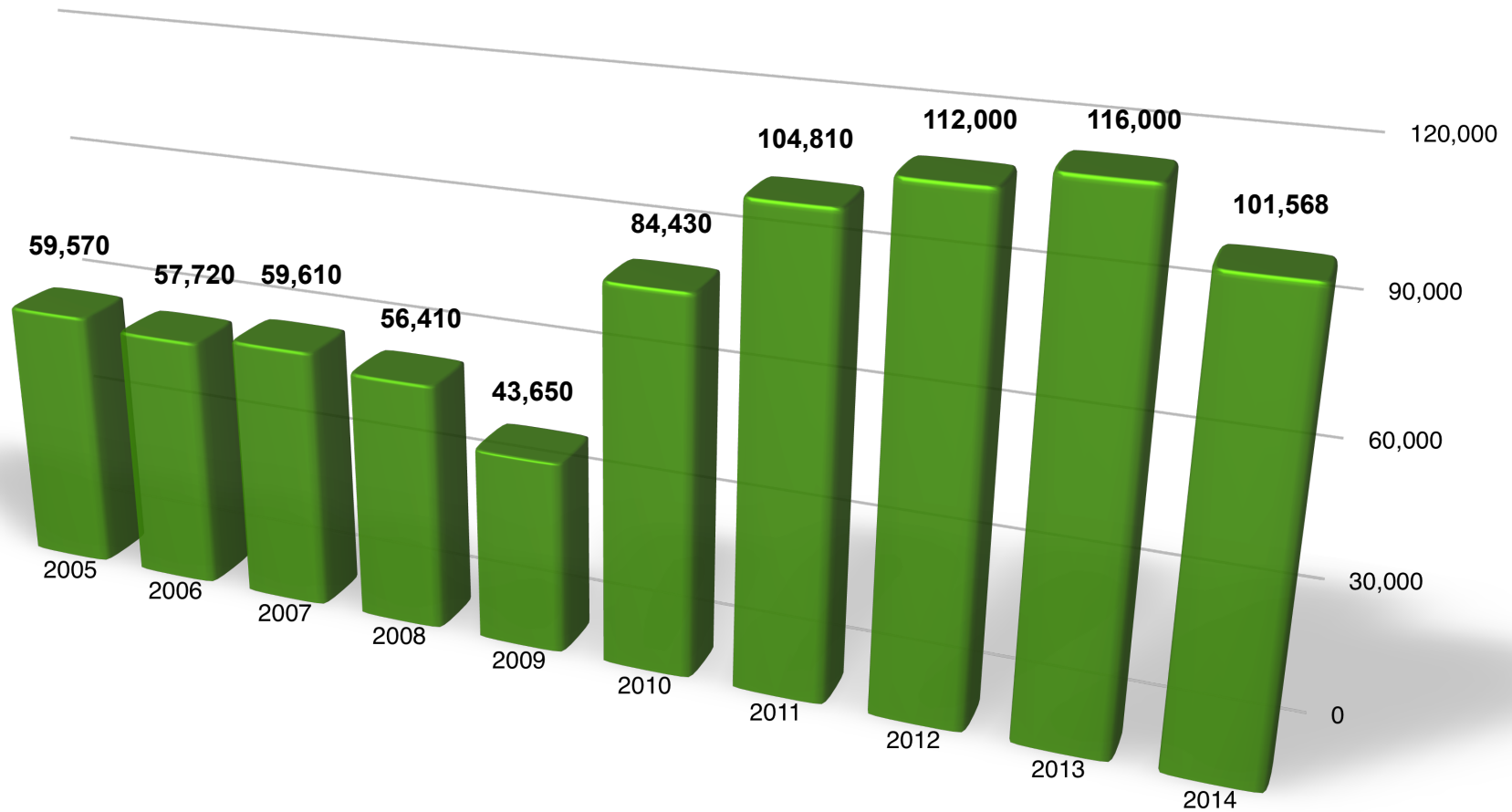
# Most Common Reasons for Retirement Processing Delays

- Part-time service is involved.
- Service has been refunded or a deposit for service is needed.
- Receipt of workers' compensation is indicated.
- Military retirement pay is involved.
- Unpaid military deposits are present.
- Excess leave without pay (defined as more than six months) is present on the record.
- The application includes unverified or missing service.
- The employee has elected an insurable interest (a survivor benefit option available under the Federal Employees Retirement System)
- No survivor election is made. (Remember- even if you are unmarried at the time of retirement, don't leave this section of the retirement application blank.)
- A court order for a divorce requires apportionment of the annuity.
- The submission by the agency is incomplete and is missing key data needed for calculating interim payments. According to OPM, 23 percent of all claims received are missing one or more records and 11 percent are not received during the first 30 days.



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## Number of Federal Retirements



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# Magic Numbers

## Ages

**35** = Free FEGLI begins to reduce from double benefit

**45** = Free FEGLI double benefit ends

**55** = Earliest age to retire on unreduced annuity  
FEGLI premiums for Options A and B increase significantly  
Access to TSP without 10% excise penalty if you separate or retire



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# Magic Numbers

## Ages

**59½** = Access to TSP Funds for one-time withdrawal if still working

Penalty-free access to IRA's, 401(k)'s, etc.

**62** = Earliest eligibility for Social Security benefits

**65** = Eligible for Medicare

**70** = Latest eligibility for Social Security benefits

**70½** = Must begin taking at least minimum withdrawals from tax-qualified accounts (TSP, IRA's)



# Magic Numbers

## Years of Service

30 years – needed to qualify for unreduced annuity if younger than age 60

5 years – least amount of years you can work and qualify for an annuity



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# Magic Numbers

## Savings Amount Needed At Retirement

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## **Rule of Thumb – 10%**

Amount you need to save each year to have a comfortable supplement to your federal pension at retirement



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## Ending account balances at age 65

*Assumptions:  
25-year old with \$35,000 salary  
3% annual increase in salary  
40-Year Investment Period*

Average annual portfolio return	Total annual savings rate (% of salary + employer contribution)				
	2 %	4 %	6 %	8 %	10 %
6 %	176,002	352,005	528,007	704,010	880,012
8 %	281,436	562,872	844,309	1,125,745	1,407,181
10 %	464,253	928,506	1,392,758	1,857,011	2,321,264
12 %	784,445	1,568,890	2,353,334	3,137,779	3,922,224



# Save Early - Save Often

- In this study Investor (B) opens an IRA at age 19. For seven consecutive periods, he puts \$2,000 in his IRA at an average growth rate of 10% (7% interest plus growth). After seven years, he makes NO MORE contributions -- he's finished.

A second Investor (A) makes no contributions until age 26 (this is the age when Investor B is finished with his contributions). Then A continues faithfully to contribute \$2,000 every year until he's 65 (at the same theoretical 10% rate).



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Age	Investor A Contribution	Year-end Value	Investor B Contribution	Year-end Value
43	\$2,000	\$100,318	-0-	\$154,456
44	\$2,000	\$112,550	-0-	\$169,902
45	\$2,000	\$126,005	-0-	\$186,892
46	\$2,000	\$140,805	-0-	\$205,581
47	\$2,000	\$157,086	-0-	\$226,140
48	\$2,000	\$174,995	-0-	\$248,754
49	\$2,000	\$194,694	-0-	\$273,629
50	\$2,000	\$216,364	-0-	\$300,992
51	\$2,000	\$240,200	-0-	\$331,091
52	\$2,000	\$266,420	-0-	\$364,200
53	\$2,000	\$295,262	-0-	\$400,620
54	\$2,000	\$326,988	-0-	\$440,682
55	\$2,000	\$361,887	-0-	\$484,750
56	\$2,000	\$400,276	-0-	\$533,225
57	\$2,000	\$442,504	-0-	\$586,548
58	\$2,000	\$488,953	-0-	\$645,203
59	\$2,000	\$540,049	-0-	\$709,723
60	\$2,000	\$596,254	-0-	\$780,695
61	\$2,000	\$658,079	-0-	\$858,765
62	\$2,000	\$726,087	-0-	\$709,723
63	\$2,000	\$800,896	-0-	\$780,695
64	\$2,000	\$883,185	-0-	\$858,765
65	\$2,000	\$973,704	-0-	\$944,641
Less Equals Money	Total Invested Net Earnings Grew	( 80,000) \$893,704 11-fold		( 14,000) \$930,641 66-fold

# Save Early - Save Often

The incredible results show Investor B, who made his contributions earlier and who made only seven contributions, ends up with MORE earnings than A, who made 40 contributions but at a LATER TIME. The difference in the two is that *B had seven more early years of compounding than A.*

*Study courtesy of: Market Logic, of Ft. Lauderdale, FL 33306*



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# FERS and FERS Transferee

## FERS

Employees hired after to 1/1/84 who did not have at least 5 years of service at 1/1/87

Contribute 7% of pay to:

6.2% to Social Security

.8% to FERS



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# FERS - RAE

## FERS

Employees hired after 1/1/13 who did not have at least 5 years of service when hired

Contribute 9.3% of pay to:

6.2% to Social Security

3.1% to FERS



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# FERS - FRAE

## FERS

Employees hired after 1/1/14 who did not have at least 5 years of service when hired

Contribute 10.6% of pay to:

6.2% to Social Security

4.4% to FERS



# FERS and FERS Transferees

## FERS Transferee –

Employees hired before 1/1/84

Employees with at least 5 years of CSRS employment who opted to go to FERS in 1987, 1988, or 1998

Rehired with at least 5 years of service under CSRS or CSRS Offset and chose to go to FERS  
Social Security benefits may be reduced for portion of annuity based on CSRS years



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# FERS - Retiring On an Immediate, Unreduced Annuity

Age	Years of Service
MRA*	30
60	20
62	5

## **Voluntary Early Out With Reduction -**

Age	Years of Service
MRA	at least 10 years

If you retire at the MRA with at least 10 but less than 30 years of service, your benefit will be reduced at the rate of 5/12ths of 1% for each month you are under age 62 (5% for each year) unless you have 20 years of service and your annuity begins at age 60 or later.

## **Involuntary Early Out Without Reduction - VERA**

Age	Years of Service	
50	20	
Any age	25	MRA = Minimum Retirement Age



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# FERS - Minimum Retirement Age

If you were born:

Your FERS MRA is:

before 1948

55

in 1948

55 and 2 months

in 1949

55 and 4 months

in 1950

55 and 6 months

in 1951

55 and 8 months

in 1952

55 and 10 months

in 1953 – 1964

56

in 1965

56 and 2 months

in 1966

56 and 4 months

in 1967

56 and 6 months

in 1968

56 and 8 months

in 1969

56 and 10 months

1970 or after

57



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# Deferred Retirement

IF you do not want to take the penalty associated with a Voluntary Early Out – you may defer your retirement to age 62 and then take the unreduced amount.

IF you have at least 20 years of creditable service, you may defer your retirement to age 60 and take the unreduced amount.

IF you have at least 30 years of creditable service but do not have MRA, you may defer your retirement until you reach MRA and receive an unreduced benefit.

You must “suspend” your health benefits if you defer in order to pick them back up when you begin receiving retirement benefits.



I'VE BEEN FACING  
SOME TOUGH  
CHOICES LATELY.

LIKE HOW TO CUT  
YOUR BUDGET AND  
PRIORITIZE AGENCY  
GOALS?

NO. PICKING MY  
RETIREMENT DATE.

# Best Dates to Retire

- The last day of the month
- End of a pay period
  - Accrue sick and annual leave for that pay period
- Last day of the year
  - Rollover maximum annual leave
  - Receive COLA on payout of annual leave
  - Pay taxes in new year



# Best Dates to Retire –2015 FERS

## December 31, 2015 – Best of the Best

~~January 31~~

~~February 28~~

~~March 31~~

~~April 30~~

~~May 31~~

June 30

July 31

August 31

September 30

October 31

November 30



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# Components to Calculate Federal Annuity

Years of Service Based on **Retirement** Service Computation Date

% Formula Based on Years of Service

High 3 Average Salary



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# Retirement Service Computation Date

Based on time between appointment and separation where deductions are withheld. It includes:

- Leave without pay (up to six months/calendar year)
- Part-time service
  - Full credit for eligibility – prorated for annuity computation
- Intermittent days worked (WAE 260-day year)
- Military service/Deposits/Re-deposits (SF 2803)



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# **FERS - Buying Back Military Time To Add To Your Creditable Service**

**Employee Must Waive Active Military Retirement Pay**

Make Deposit of 3% of Basic Pay + Interest = Credit for eligibility and annuity

Do Not Make Deposit = No credit for eligibility or annuity



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# Deposits

Prior to 1-1-1989:

Deposit Made = 100% for eligibility and annuity computation

Deposit Not Made = NO credit for eligibility or annuity computation

After 1-1-1989:

NO credit = Deposit is not allowed



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# Re-deposits

Contributions Not Refunded:

100% for eligibility and annuity computation

Contributions Refunded:

Re-deposit CAN be made to get 100% for eligibility  
and annuity computation

No re-deposit = time does not count



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# Part-time Service

Any part-time service counts 100% toward eligibility and is prorated for annuity calculation



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# Annual Leave

Employee Type	<i>Less than 3 years of service*</i>	<i>3 years but less than 15 years of service*</i>	<i>15 or more years of service*</i>
Full-time employees	½ day (4 hours) for each pay period	¾ day (6 hours) for each pay period, except 1¼ day (10 hours) in last pay period	1 day (8 hours) for each pay period
Part-time employees**	1 hour of annual leave for each 20 hours in a pay status	1 hour of annual leave for each 13 hours in a pay status	1 hour of annual leave for each 10 hours in a pay status

- Can carryover up to 240 hours of unused leave per year
- Paid out as lump sum for any unused hours at retirement



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# Sick Leave

Accrue 4 hour per pay period for sick leave.

FERS can include 100% of their sick leave in their creditable service for annuity calculation purposes.



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# Sick Leave Chart

1,194 Hours

# of Days	0 Months +	1 Months +	2 Months +	3 Months +	4 Months +	5 Months +	6 Months +	7 Months +	8 Months +	9 Months +	10 Months +	11 Months +
0	0	174	348	522	696	870	1044	1217	1391	1565	1739	1913
1	6	180	354	528	701	875	1049	1223	1397	1571	1745	1919
2	12	186	359	533	707	881	1055	1229	1403	1577	1751	1925
3	17	191	365	539	713	887	1061	1235	1409	1583	1757	1930
4	23	197	371	545	719	893	1067	1241	1415	1588	1762	1936
5	29	203	377	551	725	899	1072	1246	1420	1594	1768	1942
6	35	209	383	557	730	904	1078	1252	1426	1600	1774	1948
7	41	214	388	562	736	910	1084	1258	1432	1606	1780	1954
8	46	220	394	568	742	916	1090	1264	1438	1612	1786	1959
9	52	226	400	574	748	922	1096	1270	1444	1617	1791	1965
10	58	232	406	580	754	928	1101	1275	1449	1623	1797	1971
11	64	238	412	586	759	933	1107	1281	1455	1629	1803	1977
12	70	243	417	591	765	939	1113	1287	1461	1635	1809	1983
13	75	249	423	597	771	945	1119	1293	1467	1641	1815	1988
14	81	255	429	603	777	951	1125	1299	1472	1646	1820	1994
15	87	261	435	609	783	957	1131	1304	1478	1652	1826	2000
16	93	267	441	615	788	962	1136	1310	1484	1658	1832	2006
17	99	272	446	620	794	968	1142	1316	1490	1664	1838	2012
18	104	278	452	626	800	974	1148	1322	1496	1670	1844	2017
19	110	284	458	632	806	980	1154	1328	1501	1675	1849	2023
20	116	290	464	638	812	986	1159	1333	1507	1681	1855	2029
21	122	296	470	643	817	991	1165	1339	1513	1687	1861	2035
22	128	301	475	649	823	997	1171	1345	1519	1693	1867	2041
23	133	307	481	655	829	1003	1177	1351	1525	1699	1873	2046
24	139	313	487	661	835	1009	1183	1357	1530	1704	1878	2052
25	145	319	493	667	841	1015	1189	1362	1536	1710	1884	2058
26	151	325	499	672	846	1020	1194	1368	1542	1716	1890	2064
27	157	330	504	678	852	1026	1200	1374	1548	1722	1896	2070
28	162	336	510	684	858	1032	1206	1380	1554	1728	1902	2075
29	168	342	516	690	864	1038	1212	1386	1559	1733	1907	2081

# Creditable Service Calculation

	Year	Month	Day	
Planned Retirement Date	2015	12	31	
Retirement SCD	1985	7	27	
Creditable Service	30	5	4	
Unused Sick Leave		6	26	
Total Creditable Service	31			0 Days Left Over!





# Sick Leave Chart

1,194 Hours

# of Days	0 Months +	1 Months +	2 Months +	3 Months +	4 Months +	5 Months +	6 Months +	7 Months +	8 Months +	9 Months +	10 Months +	11 Months +
0	0	174	348	522	696	870	1044	1217	1391	1565	1739	1913
1	6	180	354	528	701	875	1049	1223	1397	1571	1745	1919
2	12	186	359	533	707	881	1055	1229	1403	1577	1751	1925
3	17	191	365	539	713	887	1061	1235	1409	1583	1757	1930
4	23	197	371	545	719	893	1067	1241	1415	1588	1762	1936
5	29	203	377	551	725	899	1072	1246	1420	1594	1768	1942
6	35	209	383	557	730	904	1078	1252	1426	1600	1774	1948
7	41	214	388	562	736	910	1084	1258	1432	1606	1780	1954
8	46	220	394	568	742	916	1090	1264	1438	1612	1786	1959
9	52	226	400	574	748	922	1096	1270	1444	1617	1791	1965
10	58	232	406	580	754	928	1101	1275	1449	1623	1797	1971
11	64	238	412	586	759	933	1107	1281	1455	1629	1803	1977
12	70	243	417	591	765	939	1113	1287	1461	1635	1809	1983
13	75	249	423	597	771	945	1119	1293	1467	1641	1815	1988
14	81	255	429	603	777	951	1125	1299	1472	1646	1820	1994
15	87	261	435	609	783	957	1131	1304	1478	1652	1826	2000
16	93	267	441	615	788	962	1136	1310	1484	1658	1832	2006
17	99	272	446	620	794	968	1142	1316	1490	1664	1838	2012
18	104	278	452	626	800	974	1148	1322	1496	1670	1844	2017
19	110	284	458	632	806	980	1154	1328	1501	1675	1849	2023
20	116	290	464	638	812	986	1159	1333	1507	1681	1855	2029
21	122	296	470	643	817	991	1165	1339	1513	1687	1861	2035
22	128	301	475	649	823	997	1171	1345	1519	1693	1867	2041
23	133	307	481	655	829	1003	1177	1351	1525	1699	1873	2046
24	139	313	487	661	835	1009	1183	1357	1530	1704	1878	2052
25	145	319	493	667	841	1015	1189	1362	1536	1710	1884	2058
26	151	325	499	672	846	1020	1194	1368	1542	1716	1890	2064
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28	162	336	510	684	858	1032	1206	1380	1554	1728	1902	2075
29	168	342	516	690	864	1038	1212	1386	1559	1733	1907	2081

# Calculating Your FERS Annuity

$1\% \times \text{Years of Service} \times \text{High 3 Average} = \text{Annual Annuity}$

At age 62+ with at least 20 years of service =

$1.1\% \times \text{Years of Service} \times \text{High 3 Average} = \text{Annual Annuity}$

Example: 30 years = 30% (1% for each year or portion thereof)

If retiree is 62+ with at least 20 YOS = 33% (1.1% for each year or portion thereof)



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# High 3 Average

Average of your base + locality pay over any 3 consecutive years of creditable service

Does NOT include:

Bonuses

Overtime

Military Pay

Cash Awards

Holiday Pay

Travel Pay



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## High-3 Calculation

**Year**

**Salary**

2013

79,219

2014

80,011

2015

80,811

2016

2017

Add last three years together  
and divide by 3  
\$80,013



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# Annuity Calculation

High-3 Average \$80,013

Creditable Service % .31

Future Value = \$956,699  
360 Time Periods - 30 years  
1.95% COLA

= Annual Annuity \$24,804

/ 12 = Monthly Annuity \$2,067

Present Value - \$488,695



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# FERS - Survivor Benefits

Provides 25% or 50% of annuity at a cost of 5% or 10%

Available to:

- Current spouse

- Former spouse

- Insurable interest

- Minor children

MUST keep at least minimal survivor benefit to allow spouse to continue health benefits if employee passes away



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# FERS - Survivor Benefits

What happens if you die before you have a chance to retire?

With at least 18 months of creditable service – survivor receives:

- \* Lump sum benefit of \$32,326 (adjusted annually for inflation) PLUS
- \* Half of the greater of your average high-3 or your current salary

Additionally, with at least 10 years of creditable service:

- \* 50% of your annuity calculated as of the date of your death

Social Security and other survivor benefits are not affected by the lump sum payments.



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# Disability Retirement

No longer able to perform in your position and not qualified for any other position in same location at same grade/pay

May earn up to 80% of fed pay in private sector job

Health and life insurance continue if previously insured for 5 years

Must have at least 18 months creditable service to apply

Employee (or agency, guardian, or interested person if incapacitated) must apply for benefits

Must apply for Social Security disability benefits



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# Disability Retirement

Benefits are calculated as follows:

1<sup>st</sup> Year – 60% of High-3 average salary less any benefits received from Social Security

2<sup>nd</sup> Year – 40% of High-3 average less 60% of any benefits received from Social Security

Benefit recomputed at age 62 with credit for years between disability retirement and age 62



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SORRY FOR THE  
DELAY IN OUR REPORT.  
GRADY, OUR SUBJECT  
MATTER EXPERT, HAS  
BEEN DISTRACTED.

BY  
WHAT?

BUILDING HIS  
COUNTDOWN  
CLOCK.

6,548

hours until  
retirement

@. KANG FEDERAL TIMES

# Phased-in Retirement Background

- Federal workforce is aging - average age is 47
- ~25% of current workforce is eligible to retire
- Within just a few years 40% will be eligible to retire
- In 2012, Congress passed law to allow phased-in retirement
- OPM issued rules putting into effect for November 6, 2014



# How It Works

- Participation is voluntary from both sides
- Employees eligible to retire can apply for phased-in retirement and if agency agrees - they may participate
- Employee must have worked full-time for 3 years prior to applying
- Employee works part-time and receives proportionate parts of their salary and pension
- Currently designed to be 20-hour week



# Eligibility

- Under CSRS/CSRS Offset must be 55 with 30 YOS or 60 with 20 YOS
- Under FERS must have MRA with 30 YOS or 60 with 20 YOS (excludes 62 with 5 YOS)
- Cannot be part of VERA, disability, discontinued service or deferred retirement
- LEO, Firefighters, ATC are excluded



# Effect on Benefits

Phased-in Retirees are:

Subject to civil service retirement deductions, Social Security payroll taxes and Medicare payroll taxes on the same terms as they were as full-time employees;  
Considered to be active employees, not retirees, for purposes of Thrift Savings Plan investment, loan and withdrawal policies; and

Allowed to continue to invest through the voluntary contributions program available under CSRS.

Allowed to keep the same standard insurance coverage



# Phased-In Retirement Annuity

At retirement pension benefits are calculated as if fully retired except unused sick leave is NOT credited.

Half this amount is payable during phased-in retirement.

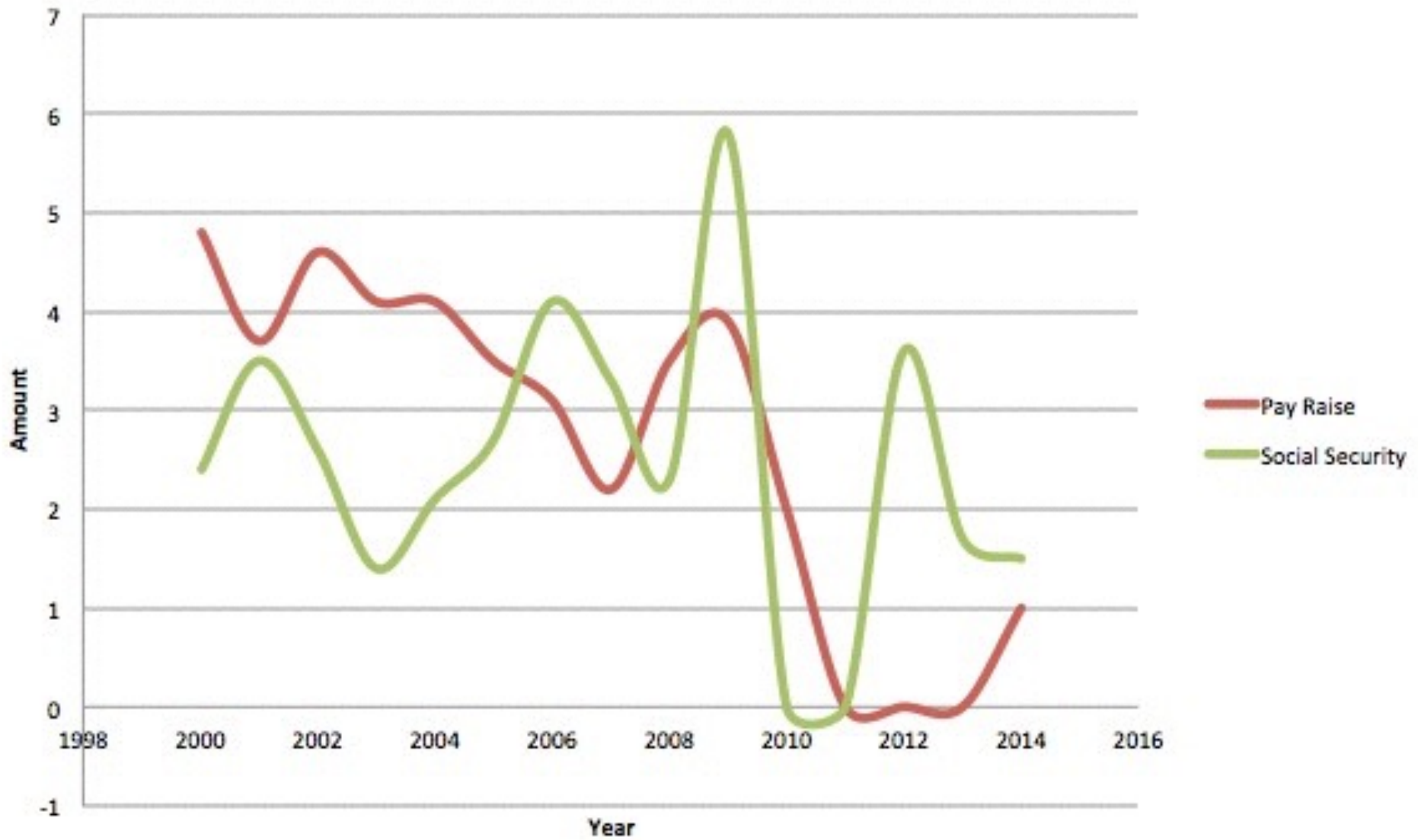
No survivor benefits are computed on the pension. Any death would be considered a death in service.

The annuity portion is adjusted annually for any COLA awarded to retirees.

Employee may retire at any time. Full annuity will be re-calculated to include sick leave and additional time of service. Survivor benefits may be elected at this time.



## Federal Pay 2000 - 2014





# Cost of Living Adjustments

Prior to retirement based on amount approved in legislation by Congress each year. After retirement:

% Increase of CPI as follows:

0%-2% Actual CPI % Increase

2%-3% 2%

Over 3% CPI increase less 1%

Effective December 1/appears on January 1 annuity payment

Prorated if you retire in middle of year

**Do NOT receive COLA until age 62**

2009 COLA = 4.8%    2010 COLA = 0%    2011 COLA = 0%    2012 COLA = 2.6%

2013 COLA = 1.7%    2014 COLA = 1.5%    2015 COLA = 1.7%



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# What impact would chained COLA have on your retirement income?

<http://www.narfe.org/legislation/calculator.cfm>

On \$50,000 pension over 5 years you would lose \$2,426

On \$50,000 pension over 10 years you would lose \$9,788

On \$50,000 pension over 15 years you would lose \$23,518



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# FERS Supplement and Social Security

## 3 Components of FERS Retirement

- FERS annuity
- Social Security
- TSP

Because Social Security is not available until age 62 a Supplement is available for those who retire at their MRA with 30 years or age 60 with 20 years of service



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# FERS Supplement and Social Security

Supplement is calculated based on:

$$\frac{\text{Years of FERS Service}^*}{40} \times \text{Social Security Benefit at age 62}$$

Subject to Social Security earnings test for wages - \$15,720

\* Military buy-back time will be deducted from equation



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# SOCIAL SECURITY

THIS GUY MADOFF  
IS GOING DOWN!  
HE WAS PAYING  
OFF HIS OLD  
INVESTORS WITH  
MONEY HE GOT  
FROM THE  
NEW ONES!



YOU CAN  
GET BUSTED  
FOR THAT?

# Social Security Benefits

Become eligible by earning 40 “credits”

Receive full benefits based on year you were born

Birth Year	Full Benefits	Birth Year	Full Benefits
1937	65	1943-1954	66
1938	65 + 2 mos	1955	66 + 2 mos
1939	65 + 4 mos	1956	66 + 4 mos
1940	65 + 6 mos	1957	66 + 6 mos
1941	65 + 8 mos	1958	66 + 8 mos
1942	65 + 10 mos	1959	66 + 10 mos
		1960 +	67



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## Full Retirement and Age 62 Benefit By Year Of Birth

Year of Birth <sup>1.</sup>	Full (normal) Retirement Age	Months between age 62 and full retirement age <sup>2.</sup>	At Age 62 <sup>3.</sup>			
			A \$1000 retirement benefit would be reduced to	The retirement benefit is reduced by <sup>4.</sup>	A \$500 spouse's benefit would be reduced to	The spouse's benefit is reduced by <sup>5.</sup>
1937 or earlier	65	36	\$800	20.00%	\$375	25.00%
1938	65 and 2 months	38	\$791	20.83%	\$370	25.83%
1939	65 and 4 months	40	\$783	21.67%	\$366	26.67%
1940	65 and 6 months	42	\$775	22.50%	\$362	27.50%
1941	65 and 8 months	44	\$766	23.33%	\$358	28.33%
1942	65 and 10 months	46	\$758	24.17%	\$354	29.17%
1943-1954	66	48	\$750	25.00%	\$350	30.00%
1955	66 and 2 months	50	\$741	25.83%	\$345	30.83%
1956	66 and 4 months	52	\$733	26.67%	\$341	31.67%
1957	66 and 6 months	54	\$725	27.50%	\$337	32.50%
1958	66 and 8 months	56	\$716	28.33%	\$333	33.33%
1959	66 and 10 months	58	\$708	29.17%	\$329	34.17%
1960 and later	67	60	\$700	30.00%	\$325	35.00%



# Social Security Benefits

Other members of your family may receive benefits based on your work history:

Spouse: 50% of yours or 100% of their own (whichever is higher)

Child (up to age 18): 50%

Former spouse:

- Married at least 10 years
- Age 62



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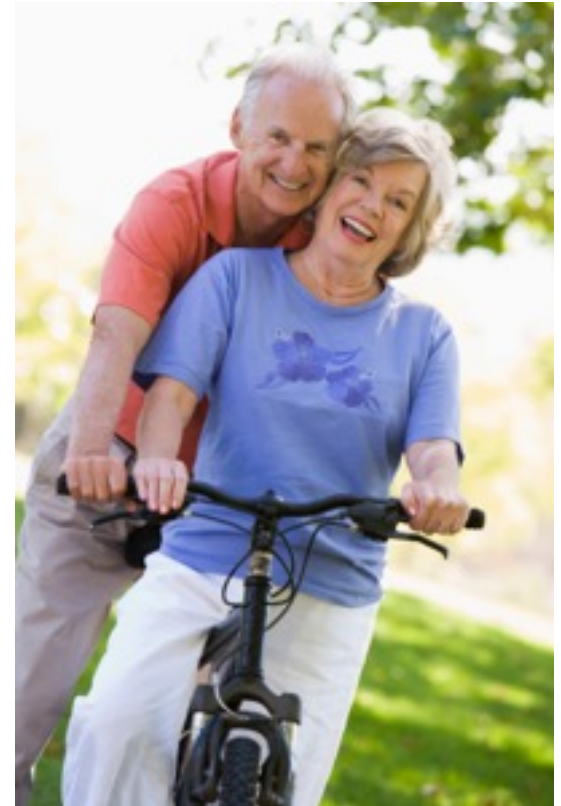


# Longevity

This is KEY!

According to the **2000 Basic Mortality Table**, a 65-year old couple has a 50% chance that at least one of them will live to age 92.

Single individuals have a slightly lower life expectancy



SOURCE: <http://www.newyorklife.com/learn-and-plan/live-longer-than-expected>



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# Impact of Longevity (Cumulative) on Total Distribution Amount

- Living to age 75:
  - Start at 62: \$137,423 ----- \$36,984 Higher
  - Start at 70: \$100,439
- Living to age 85:
  - Start at 62: \$269,953
  - Start at 70: \$333,697 ----- \$63,744 Higher
- Living to age 95:
  - Start at 62: \$431,456
  - Start at 70: \$617,941 ----- \$186,485 Higher

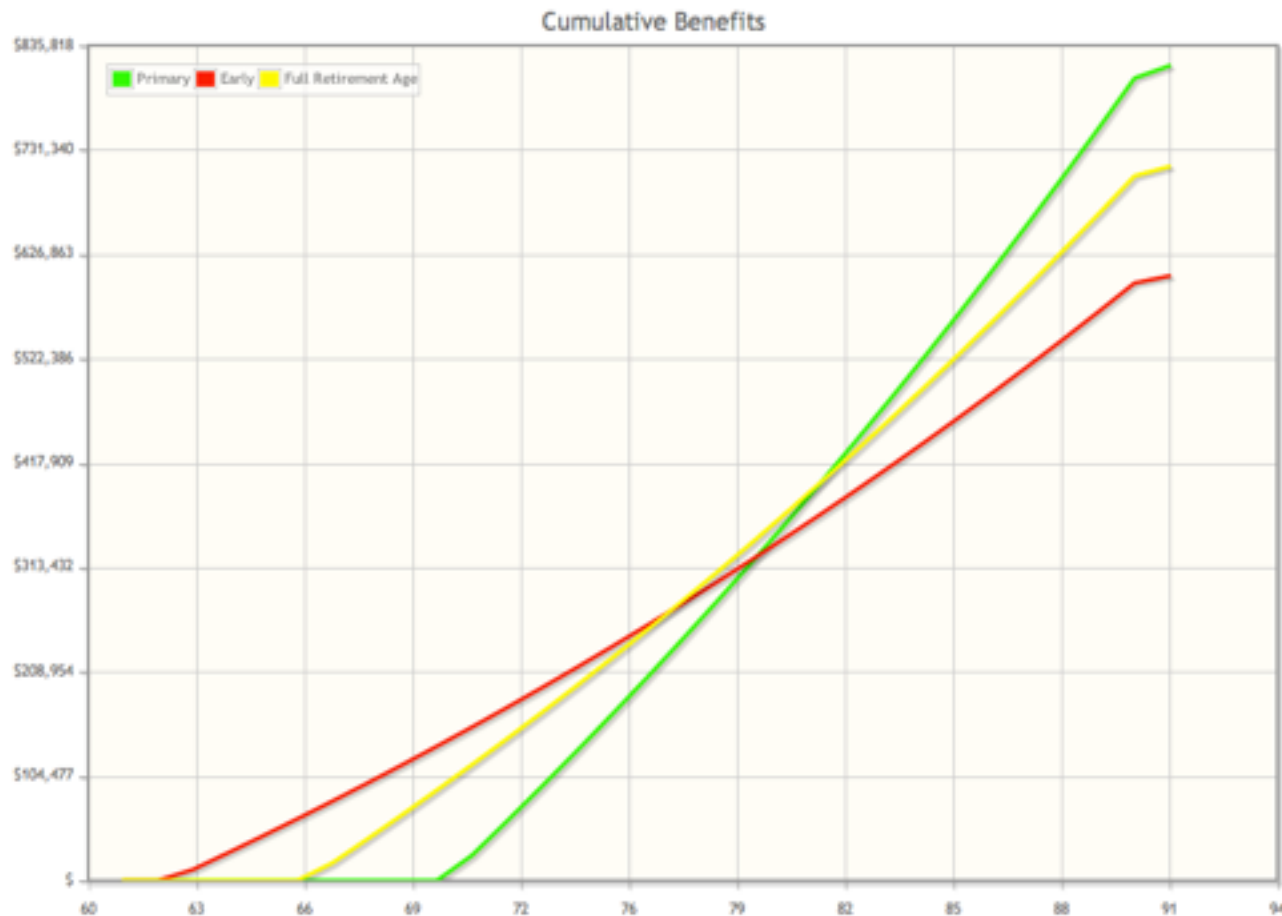
Note: assumes a 2% inflationary factor.

This hypothetical example is for illustrative purposes only, and should not be deemed a representation of past or future results, and is no guarantee of return of future performance. Information is not intended to provide specific legal or tax advice. You are encouraged to consult with the Social Security Administration or your tax or legal professional for guidance on your individual situation.



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# Comparing Options...



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# Optimizing Your Benefits

## Case Study #1

- Mary is 60 years old, never married (or divorced, married for less than 10 years)
- FRA benefits: \$1,800 / month
- Originally assumed she should start taking benefits at age 62
- How can she potentially optimize her Social Security benefits?

*This hypothetical example is for illustrative purposes only, and should not be deemed a representation of past or future results, and is no guarantee of return or future performance.*



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# Results

Assuming a life expectancy of 90 on Mary:

- Beginning benefits at age 62:
  - Cumulative benefits: **\$605,029**
- Beginning benefits at age 70:
  - Cumulative benefits: **\$815,432**

**A potential difference of \$210,403 over her lifetime!!!**

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# Social Security Benefits

Your survivors may also be eligible to receive benefits on your work history:

Spouse you've been married to for at least 9 months who is age 60 or older

Child under age 18 (19 if still in school) or any age if disabled before age 18

Former spouse you were married to for at least 10 years



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# Part 2 – Optimizing Your Benefits

## Case Study #2

- Joe is 60 and Jane is 59.
- Joe's benefit at FRA is \$2,335
- Jane's benefit at FRA is \$1,442
- Both assumed they should begin benefits at age 62
- How can they optimize their Social Security benefits?

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# In Our Example...

Joe should file and suspend his benefits when Jane reaches her full retirement age (66)

Jane files a restricted application for spousal benefits only at that point

Joe begins taking his benefits at age 70

Jane switches to benefits based on her record when she turns 70

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# Results

Assuming a life expectancy of 85 on Joe and 92 on Jane with a 2% inflation factor:

- Using the primary strategy just described:
  - Cumulative benefits: **\$1,822,823**
- Both taking at age 62
  - Cumulative benefits: **\$1,333,749**

**A potential difference of \$489,074 over their lifetimes!!!**

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# Social Security Benefits

By delaying taking Social Security until your full retirement age, you can increase your benefits by 20% - 30%. You'll get an additional 8% for each year you wait up to age 70.



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# Social Security Benefits

Benefits are based on Average Indexed Monthly Earnings  
“AIME”

Formula for calculating your benefits:

90% of first \$791 AIME Plus

32% of AIME from \$791-\$4,768 Plus

15% of AIME over \$4,768

Earnings limit before full retirement age = \$15,720\*  
(For every \$2 over you give back \$1)

Year of full retirement age = \$44,880\*  
(For every \$3 over you give back \$1)

\* 2015 Limits



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# Social Security Benefits and Your Federal Annuity

The Windfall Elimination Provision was enacted in 1986 to cause people eligible for both a pension based on non-covered employment (e.g., CSRS, CSRS Offset and **FERS Transferees** employees) and Social Security to have their Social Security calculated using a different formula.

The main exclusion is for workers with more than 30 years of substantial earnings under Social Security.



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# Windfall Elimination Provision

## Substantial Earnings Years

## Replacement Factor

30 years	90%
29 years	85%
28 years	80%
27 years	75%
26 years	70%
25 years	65%
24 years	60%
23 years	55%
22 years	50%
21 years	45%
20 years	40%



# Government Pension Offset

If you can't have your own Social Security benefit – can you get your spouse's?

To determine eligibility, subtract  $\frac{2}{3}$  of government pension from spouse's Social Security benefit. If the answer is greater than zero, you are eligible for that benefit.



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# Government Pension Offset

Spouse's Social Security Benefit	\$1,340
Your Federal Annuity Benefit (\$3,000)x .66%	<u>(\$1,980)</u>
<hr/>	(\$ 640)
You are eligible for.....	0



**FED TAPE**

© J. KRIS, FEDERAL TIMES

MAN, IT SEEMS LIKE  
CONGRESS WANTS TO  
BALANCE THE WHOLE  
DEFICIT ON OUR BACKS.

YEAH, WITH FURLLOUGHS,  
PAY FREEZES, PENSION  
CLTS, YOU NAME IT.



BUT I REALLY THINK  
HALLWAY TOLLS ARE  
GOING TOO FAR.





# A Short History of the TSP

Implemented in April 1987

S and I Funds added in May 2001

Everyone could participate up to IRS limits in 2005

Largest defined contribution plan in the US with \$454\*  
Billion in assets (of which \$1.2 billion is Roth TSP)

~4.6 million participants (238K use Roth) with 87% of  
FERS employees participating

\* as of 4/30/15 Source: [www.frtib.gov](http://www.frtib.gov) and [www.tsp.gov](http://www.tsp.gov)



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# Advantages of TSP

Automatic payroll deductions

A diversified choice of investment options

A choice of tax treatments for your contributions:

Traditional (*pre-tax*) contributions and *tax deferred investment earnings*, and

Roth (*after-tax*) contributions with *tax-free earnings at retirement* if you satisfy the IRS requirements

The TSP website has a contribution comparison calculator for traditional and Roth contributions: [www.tsp.gov/planningtools/contributioncomparison/contributioncomparison.shtml](http://www.tsp.gov/planningtools/contributioncomparison/contributioncomparison.shtml)

[www.tsp.gov/PDF/formspubs/tsplf30.pdf](http://www.tsp.gov/PDF/formspubs/tsplf30.pdf) contains more information about the TSP Roth



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# Interesting Stats

- 30% of federal workforce spends their entire career as a fed
- 7% of federal workforce is under age 30 vs. 1975 when 20% were under 30
- In 2015, only 3% of federal workforce is CSRS
- There are 1.5 million CSRS retirees - only 391K FERS retirees
- The majority of retirees are age 60-70 - but 1,295 are over 100!
- 40 of TSP millionaires used only L Funds, 68 used combination of L and core funds and remainder used only core funds
- Total agency contributions in 2013 - \$7,631,123,000
- Average employee contribution - ~\$5,000



# Interesting TSP Stats

4,167 TSP “millionaires” - 1 with \$4.8 million! (was 208 at start of 2012  
- up more than 20 times in 3 years)\*

Account Balance	Number of Participants	
Under \$50,000	2,798,455	Average time in plan - 11.6 years
\$50,000 – \$249,999	1,426,098	
\$250,000 – \$499,999	375,472	
\$500,000 – \$749,999	95,664	
\$750,000 – \$999,999	21,485	Average time in plan - 25.5 years
\$1,000,000 and over	4167	

\* Source: fedsmith.com



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# What's New With TSP

Four provisions in Tobacco Act of 2009 affected TSP:

- ☒ Creation of Roth TSP - May 7
- ☒ Automatic enrollment for new federal employees
- ☒ New survivorship options
- Option to create mutual fund choices for investment -  
TSP has opened a “mutual fund” window to determine  
whether it makes sense to offer any mutual fund options



# Contribution Rules and Limits

- Anyone that is eligible to contribute to TSP is also eligible to contribute to Roth TSP
- No income limitations for contributing to Roth TSP
- Combined total of Roth TSP and Traditional TSP cannot exceed \$18,000 and catch-up of \$6,000, if age 50 or above
- You can contribute the maximum to Roth TSP as well as the maximum to an individual Roth IRA; however, there are income restrictions for a Roth IRA
- Interfund transfers, contribution elections, withdrawals, and loans will apply to both TSP and Roth TSP proportionately
- You cannot currently convert TSP funds into Roth TSP - it is being considered
- You can transfer a Roth 401(k), Roth 403(b) and Roth 457(b) into Roth TSP but **NOT** a Roth IRA



# Comparison of Roth IRA and Roth TSP

## **Similarities:**

- Contributions are made with after-tax dollars and can be withdrawn income tax-free if you are age 59 1/2 and follow the 5-year rule,
- Paying the tax in today's known tax environment may prove to be a valuable tool during retirement.

## **Differences:**

- You are not required to take a minimum distribution from a Roth IRA, but you are required to begin taking RMD's from the Roth TSP .
- There are income restrictions to contribute to a Roth IRA; however, there are NO income restrictions to contribute to Roth TSP
- You can contribute significantly more to the Roth TSP than a Roth IRA. Depending on your income and age, the maximum contribution level for the Roth TSP is \$24,000 vs. \$6,500 for a Roth IRA



# Considerations Before Deciding to Use the Roth TSP

1. Your current tax bracket - how much room do you have in your current tax bracket for additional taxable income?
2. Once you know how much of your eligible contribution you could make at the same tax rate, you'll want to determine the net effect on your paycheck.
3. Today your net paycheck has taxes deferred when you contribute to TSP (which means less money is taken out of your paycheck for taxes). Taxes are paid up front on contributions to the Roth TSP (which means more money will come out of your paycheck for taxes)
4. Contributing to the Roth TSP can take the uncertainty out of future tax rates and their impact on your retirement income





# 2015 Marginal Income Tax Rates

Table 1. 2015 Taxable Income Brackets and Rates (Estimate)

Rate	Single Filers	Married Joint Filers	Head of Household Filers
10%	\$0 to \$9,225	\$0 to \$18,450	\$0 to \$13,150
15%	\$9,225 to \$37,450	\$18,450 to \$74,900	\$13,150 to \$50,200
25%	\$37,450 to \$90,750	\$74,900 to \$151,200	\$50,200 to \$129,600
28%	\$90,750 to \$189,300	\$151,200 to \$230,450	\$129,600 to \$209,850
33%	\$189,300 to \$411,500	\$230,450 to \$411,500	\$209,850 to \$411,500
35%	\$411,500 to \$413,200	\$411,500 to \$464,850	\$411,500 to \$439,000
39.6%	\$413,200+	\$464,850+	\$439,000+

Source: Tax Foundation 2014

# Considerations Before Making a Decision

- If you choose to contribute to the Roth TSP be aware:
  - Increased income may affect the tax owed on income tax deductions, exemptions, and the ability to use tax credits (as well as Social Security income, Medicare Part B premiums, if applicable)
  - Increased income may also affect your children's ability to receive scholarships and financial aid
- A Roth TSP can be rolled over to a Roth IRA and provide an income tax free legacy for your children and grandchildren



# Prospects of Higher Taxes



"Just stop thinking of it as your money, and this'll go a lot easier for both of us."



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# TSP Options While You're Working

- Amount of Contributions
- Amount You Contribute to Roth TSP
- Allocation
- How Much You Borrow
- Withdrawals After Age 59 ½
- Beneficiaries



# Thrift Savings Plan

2015 Contribution Limits –

\$18,000 – under age 50

+\$ 6,000 – catch-up contributions age 50 or better

\$24,000 TOTAL 2015

5% Government Match for 5% Contribution



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# Accessing Your TSP Account

You will need:

13-digit Account Number Issued by TSP

PIN Number Issued by TSP

You may customize your User ID by logging on to TSP website:

Can change both your sign-on and your password

Can now reset your password over the phone



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# Thrift Savings Plan

## G Fund –

- Offers the opportunity to earn rates of interest similar to those of long-term Government securities but without any risk of loss of principal and very little volatility of earnings.
- The G Fund is invested in non-marketable, short-term U.S. Treasury securities with 1-4 day maturities specially issued to the TSP. Payment of principal and interest is guaranteed by the U.S. Government. Thus, there is no “credit risk.”
- The interest rate resets monthly and is based on the weighted average yield of all outstanding Treasury notes and bonds with 4 or more years to maturity.
- Earnings consist entirely of interest income on the securities.
- Managed in-house by the FRTIB
- Interest on G Fund securities has, over time, outpaced inflation and 90-day T-bills.



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# G Fund Facts

By law, the G Fund must be invested in nonmarketable U.S. Treasury securities specially issued to the TSP. The G Fund investments are kept by electronic entries, which do not involve any transaction costs to the TSP. The G Fund rate is set once a month by the U.S. Treasury based on a statutorily prescribed formula (described below), and all G Fund investments earn that interest rate for the month. (The G Fund rate is also used in other Government programs, such as the Social Security and Medicare trust funds and the Civil Service Retirement and Disability Fund.)

Although the securities in the G Fund earn a long-term interest rate, the Board's investment in the G Fund is redeemable on any business day with no risk to principal. The value of G Fund securities does not fluctuate; only the interest rate changes. Thus, when the monthly G Fund interest rate goes up, G Fund earnings accrue faster; when the G Fund interest rate declines, G Fund earnings accrue more slowly.

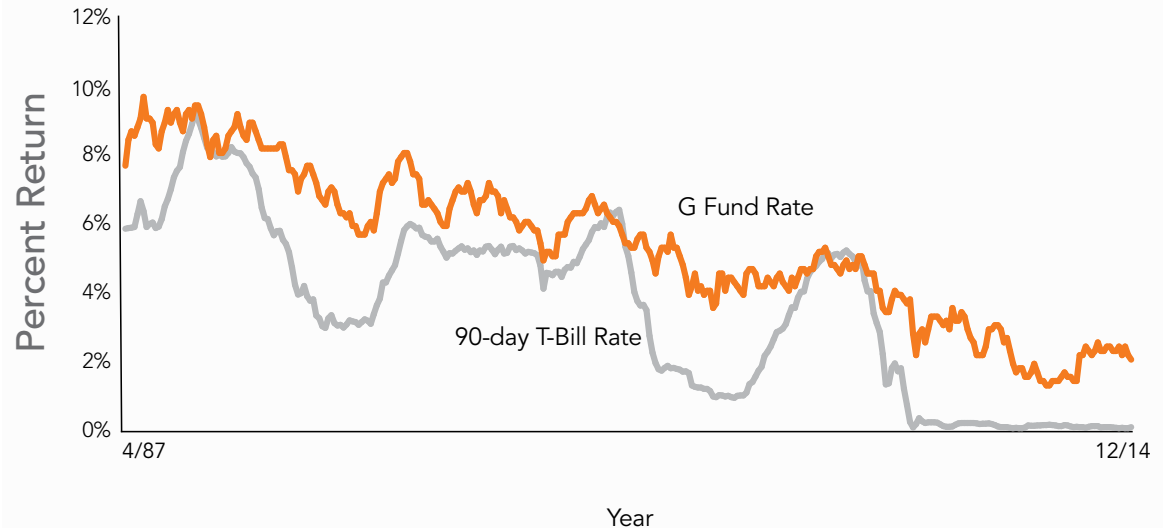
## Calculation of G Fund Rate—

G Fund securities earn a statutory interest rate equal to the average market yield on outstanding marketable U.S.

Treasury securities with 4-year maturities.

## G Fund Yield Advantage

April 1987 – December 2014



**The G Fund Yield Advantage—**The G Fund rate calculation results in an intermediate-term rate being earned on short-term securities. Because intermediate-term interest rates are generally higher than short-term rates, G Fund securities usually earn a higher rate of return than do short-term marketable Treasury securities. In the chart above, the G Fund rate is compared

Source: Fund  
Information 20134  
TSPLF14



# Thrift Savings Plan

## F Fund –

- Offers the opportunity to earn rates of return that exceed those of money market funds over the long term with relatively low risk.
- The objective of the F Fund is to match the performance of the Barclays Capital U.S. Aggregate Index, a broad index representing the U.S. bond market.
- The risk of nonpayment of interest or principal (credit risk) is relatively low because the fund includes only investment-grade securities and is broadly diversified. However, the F Fund has market risk (the risk that the value of the underlying securities will decline) and prepayment risk (the risk that the security will be repaid before it matures).
- Earnings consist of interest income on the securities and gains (or losses) in the value of securities.



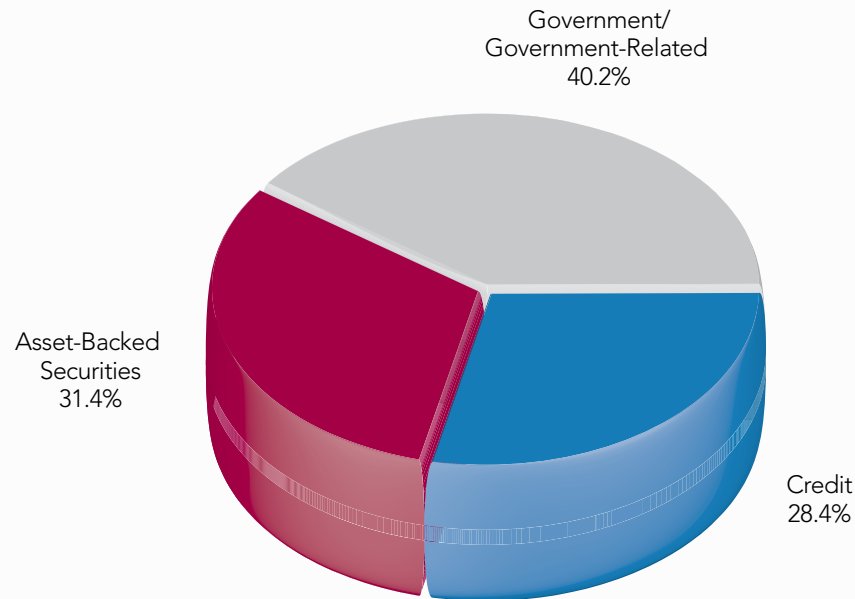
# F Fund Facts

By law, the F Fund must be invested in fixed-income securities. The Federal Retirement Thrift Investment Board has chosen to invest the F Fund in an index fund that tracks the Barclays Capital U.S. Aggregate (U.S. Aggregate) Bond Index, formerly the Lehman Brothers U.S. Aggregate Index, a broadly diversified index of the U.S. bond market.

The **U.S. Aggregate Index** consists of high-quality fixed-income securities with maturities of more than one year. The index is comprised of Treasury and Agency bonds, asset-backed securities, and corporate and non-corporate bonds. On December 31, 2014, the index included 9,079 notes and bonds. Its yield to maturity\* was 2.25%. The average duration (a measure of interest rate risk) of the U.S. Aggregate Index was 5.07 years, which means that a 1% increase (decrease) in interest rates could be expected to result in a 5.07% decrease (increase) in the price of a security. New issues are added continuously to the U.S. Aggregate Index, and older issues drop out as they move to within one year of maturity.

**F Fund Investments** — The F Fund is invested in a separate account that is managed by BlackRock Institutional Trust Company, N.A. Because the U.S. Aggregate Index contains such a large number of securities, it is not feasible for the F Fund to invest in each security in the index. Instead, BlackRock selects

## Barclays Capital U.S. Aggregate Index Bond Market Sectors December 31, 2014



Source: Fund  
Information 20134  
TSPLF14

**Note:** Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the *first two* IFTs can redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can only move money into the

# Thrift Savings Plan

## C Fund –

- Offers the opportunity to earn a potentially high investment return over the long term from a broadly diversified portfolio of stocks of large and medium-sized U.S. companies.
- The objective of the C Fund is to match the performance of the Standard and Poor's 500 (S&P 500) Index, a broad market index made up of stocks of 500 large to medium-sized U.S. companies.
- There is a risk of loss if the S&P 500 Index declines in response to changes in overall economic conditions (market risk).
- Earnings consist of gains (or losses) in the prices of stocks, and dividend income.



# C Fund Facts

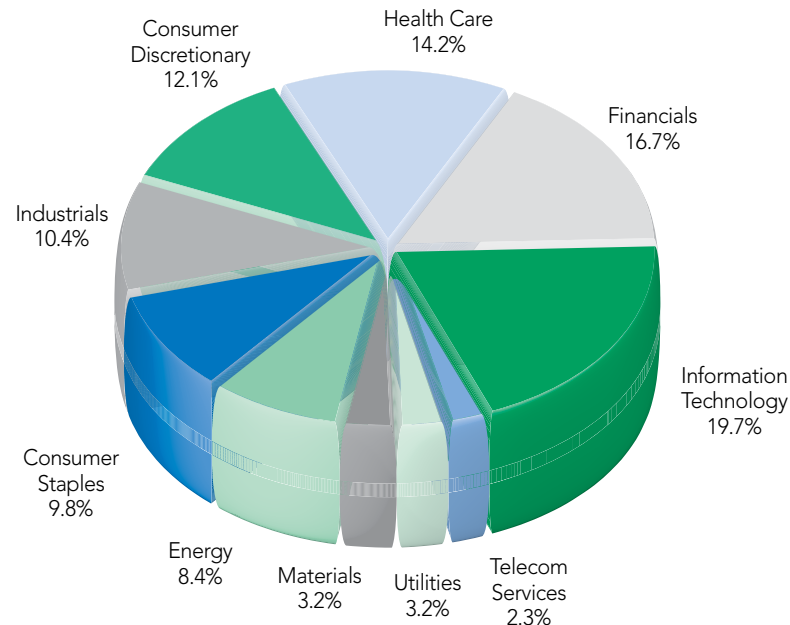
By law, the C Fund must be invested in a portfolio designed to replicate the performance of an index of stocks representing the U.S. stock markets. The Federal Retirement Thrift Investment Board has chosen as its benchmark the Standard & Poor's 500 (S&P 500) Index, which tracks the performance of major U.S. companies and industries.

The **S&P 500 Index** is an index of 500 large to medium-sized U.S. companies that are traded in the U.S. stock markets. The index was designed by Standard & Poor's Corporation (S&P) to provide a representative measure of U.S. stock markets' performance. The companies in the index represent 156 industries classified into the 10 major sector groups shown in the chart. The stocks in the S&P 500 Index represent approximately 80% of the market value of the U.S. stock markets.

The S&P 500 is considered a "big company" index. As of December 31, 2014, the largest 100 companies in the S&P 500 represented approximately 63% of the index's market value. The S&P 500 Index includes 390 securities traded on the New York Stock Exchange and 112 securities that are traded on the NASDAQ. The market value of the largest company in the index is approximately \$650 billion; the market value of the smallest company is approximately \$5.0 billion.

The S&P 500 Index is weighted by

## S&P 500 Index Major Industry Groups December 31, 2014



Source: Fund  
Information 2014  
TSPLF14

**C Fund Investments**—The C Fund is invested in a separate account that is managed by BlackRock Institutional Trust Company, N.A. The C Fund holds all the stocks included in the S&P 500 Index in virtually the same weights that they have in the index. The per

G Fund. (For participants with more than one TSP account, this rule applies to each account separately.)

# Thrift Savings Plan

## **S Fund –**

- Offers the opportunity to earn a potentially high investment return over the long term by investing in the stocks of small and medium-sized U.S. companies.
- The objective of the S Fund is to match the performance of the Dow Jones Wilshire 4500 Completion (DJW 4500) Index, a broad market index made up of stocks of U.S. companies not included in the S&P 500 Index.
- There is a risk of loss if the DJW 4500 Index declines in response to changes in overall economic conditions (market risk).
- Earnings consist of gains (or losses) in the prices of stocks, and dividend income.



# S Fund Facts

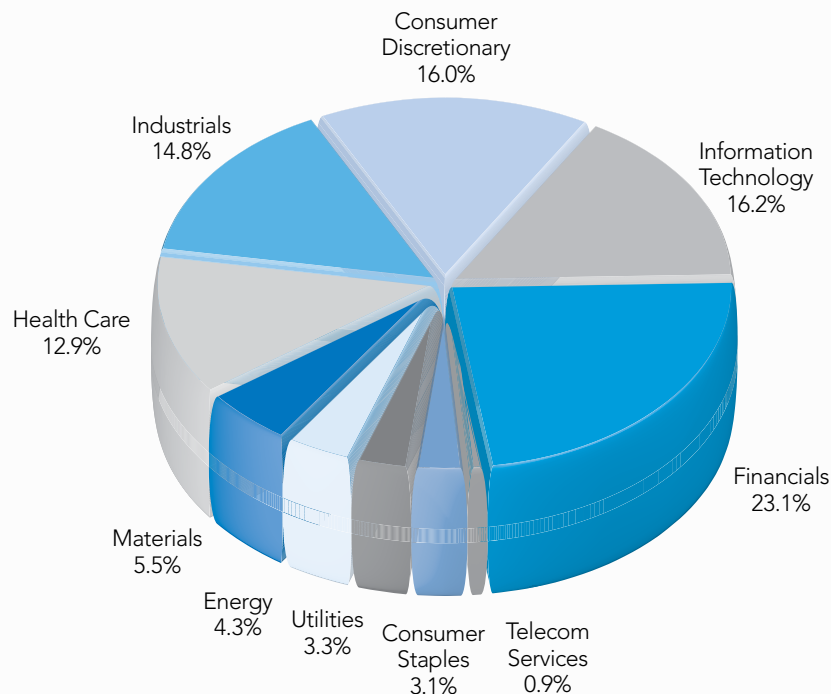
By law, the S Fund must be invested in a portfolio designed to replicate the performance of an index of U.S. common stocks, excluding those that are held in the C Fund. The Federal Retirement Thrift Investment Board has chosen as its benchmark the Dow Jones U.S. Completion Total Stock Market Index, which tracks the performance of the actively traded non-S&P 500 stocks in the U.S. stock markets.

The **Dow Jones U.S. Completion Total Stock Market Index** is an index of all actively traded U.S. common stocks that are not included in the S&P 500 Index. The index is designed to be the broadest measure of the non-S&P 500 domestic stock markets. As of December 31, 2014, the index was comprised of 3,274 common stocks. The Dow Jones U.S. Completion TSM Index made up approximately 20% of the market value of the U.S. stock markets; the S&P 500 accounted for the other 80%. Thus, the combined S Fund and C Fund cover virtually the entire U.S. stock markets.

The Dow Jones U.S. Completion TSM Index is weighted by float-adjusted market capitalization, in which a company's market value and its weighting in the index are calculated using the number of shares that are freely traded, rather than all outstanding shares. Shares that are not freely traded, such as the holdings of controlling shareholders and their families, company

## Dow Jones U.S. Completion TSM Index Major Industry Groups\*

December 31, 2014



\* Due to rounding, numbers may not add up to exactly 100%.

Source: Fund  
Information 2013  
TSPLF14

Trust Company, N.A. The Fund is invested in the Dow Jones U.S. Completion TSM Index, which contains a large number of stocks, including illiquid stocks with low trading volume and stocks with prices lower than \$1.00

is evaluated on the basis of how closely its returns match those of the Dow Jones U.S. Completion TSM Index.

A portion of S Fund assets is reserved to meet the needs of daily client activity.

# Thrift Savings Plan

## I Fund –

- Offers the opportunity to earn a potentially high investment return over the long term by investing in the stocks of companies in developed countries outside the United States.
- The objective of the I Fund is to match the performance of the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index.
- There is a risk of loss if the EAFE Index declines in response to changes in overall economic conditions (market risk) or in response to increases in the value of the U.S. dollar (currency risk).
- Earnings consist of gains (or losses) in the prices of stocks, currency changes relative to the U.S. dollar, and dividend income.



# I Fund Facts

By law, the I Fund must be invested in a portfolio designed to track the performance of an index of common stocks representing international stock markets outside of the United States. The Federal Retirement Thrift Investment Board has chosen as its benchmark the MSCI EAFE (Europe, Australasia, Far East) Index, which tracks the overall performance of the major companies and industries in the European, Australian, and Asian stock markets.

A significant component of the return of the EAFE Index (and the I Fund) results from changes in the value of the U.S. dollar relative to the currencies of the countries represented in the index. For example, the EAFE Index returned 7.75% in 2010, but that return included a decrease in the value of the U.S. dollar, which increased the return by 2.93%.

The **EAFE Index**, published by MSCI, is an index of the equity markets of the developed world outside of the United States and Canada. It is the most widely used international stock index. As of December 31, 2014, the index covered the equity markets of 21 countries, as shown in the table.

The companies in the EAFE Index are large companies. The index is weighted by float-adjusted market capitalization, in which a company's market value and its weighting in the index are calculated using the number of shares that are freely traded, rather than all outstanding shares. Shares that are not

market value of its stock market as a percentage of the combined float-adjusted market value of all stock markets included in the EAFE Index.

The I Fund is invested in a separate account that is managed by BlackRock Institutional Trust Company, N.A. The I Fund holds common stocks of all the companies represented in the EAFE Index in virtually the same weights that they have in the index. The return on the I Fund will differ from that of the EAFE Index on days when BlackRock makes a "fair valuation" adjustment to the price of the securities held by the fund. Fair valuation adjustments are made on days when there are large movements in either U.S. equity markets or currency exchange rates after the foreign markets have closed. Fair valuation pre-

## EAFE Equity Index Fund Country Composition December 31, 2014

Country	Percent of Holdings*	Number of Companies
<b>Europe</b>		
Austria	0.2	7
Belgium	1.3	11
Denmark	1.5	14
Finland	0.9	12
France	9.7	75
Germany	9.2	54
Ireland	0.3	4
Italy	2.3	26
Netherlands	2.8	23
Norway	0.7	9
Portugal	0.2	4
Spain	3.5	23
Sweden	3.1	31
Switzerland	9.3	38
United Kingdom	<u>21.1</u>	<u>109</u>
Europe	65.9	440
<b>Australasia/Far East</b>		
Australia	7.5	71
Hong Kong	3.1	40
Israel	0.6	9
Japan	21.2	314
New Zealand	0.2	7
Singapore	<u>1.6</u>	<u>29</u>
Australasia/Far East	<u>34.1%</u>	<u>470</u>
<b>Total EAFE Index</b>	<b>100.0%</b>	<b>910</b>

Source: BlackRock

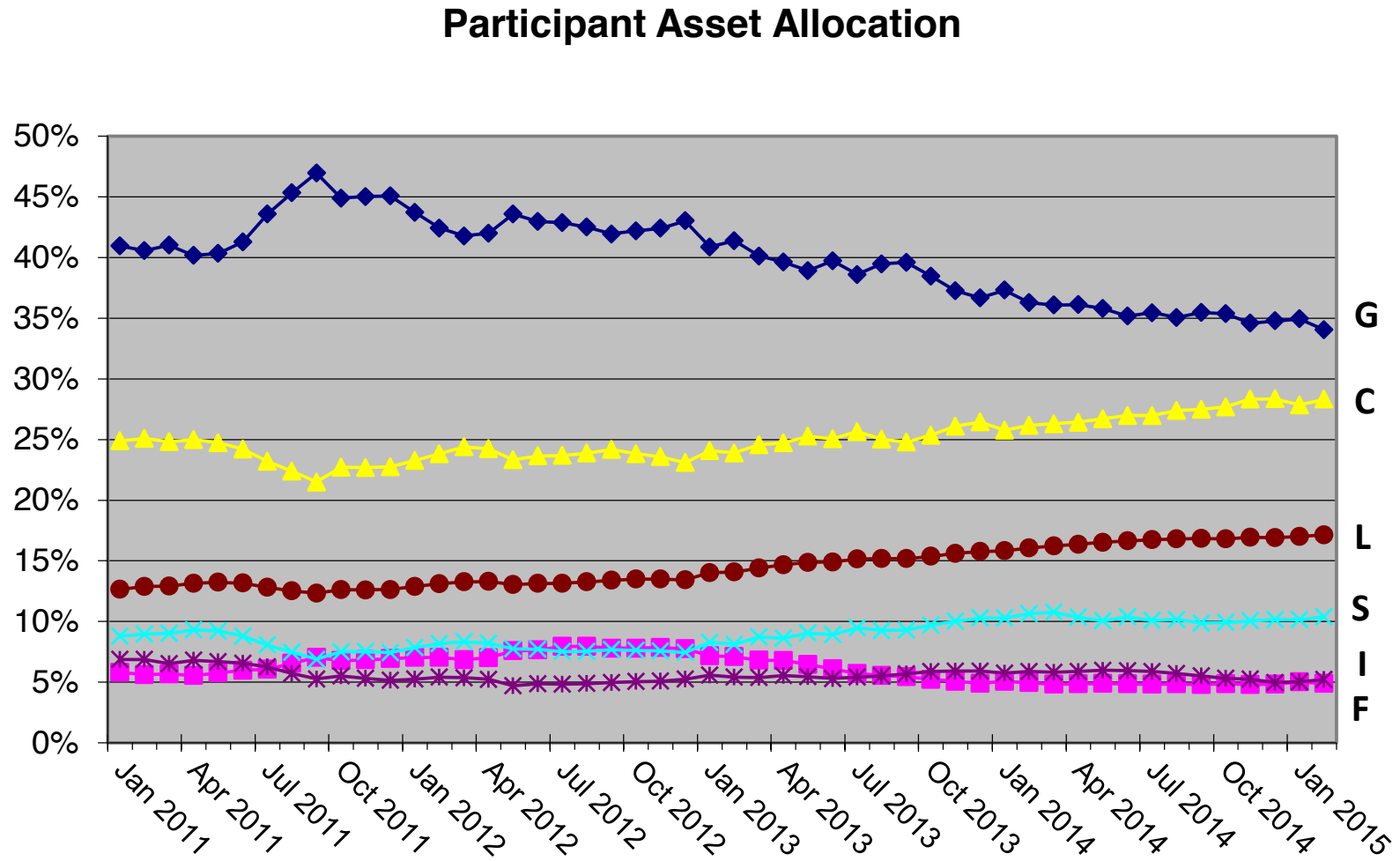
\* Due to rounding, numbers may not add up to exactly 100%.

**Note:** Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds.

Source: Fund  
Information 2014  
TSPLF14



## Attachment



# Thrift Savings Plan - Funds

**Lifecycle Funds** - The L Funds provide you with a convenient way to diversify your account among the G, F, C, S, and I Funds, using professionally determined investment mixes that are tailored to different time horizons. Your “time horizon” is the date (after you leave Federal service) that you think you will need the money in your TSP account.



**L20??**

- The five L Funds were designed for the TSP by Mercer Investment Consulting, Inc. The asset allocations are based on Mercer’s assumptions regarding future investment returns, inflation, economic growth, and interest rates.
- The L Funds are rebalanced to their target allocations each business day.
- When a fund reaches its horizon, it will roll into the L Income Fund, and a new fund will be added with a more distant time horizon
- Putting your entire TSP account into one of the L Funds allows you to achieve the best expected return for the amount of expected risk that is appropriate for your time horizon.



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# Allocations as of April 2015



**L2050**



**L2040**



**L2030**



**L2020**



**L Income**

G Fund – 10.08%	G Fund – 18.78%	G Fund – 28.83%	G Fund – 44.15%	G Fund – 74%
F Fund - 4.67%	F Fund - 5.97%	F Fund - 5.92%	F Fund - 5.48%	F Fund - 6%
C Fund - 42.1%	C Fund - 38.1%	C Fund - 34.1%	C Fund - 27.17%	C Fund - 12%
S Fund - 18.05%	S Fund - 16.05%	S Fund - 12.1%	S Fund - 8.1%	S Fund - 3%
I Fund - 25.1%	I Fund - 21.1%	I Fund - 19.05%	I Fund - 15.1%	I Fund - 5%



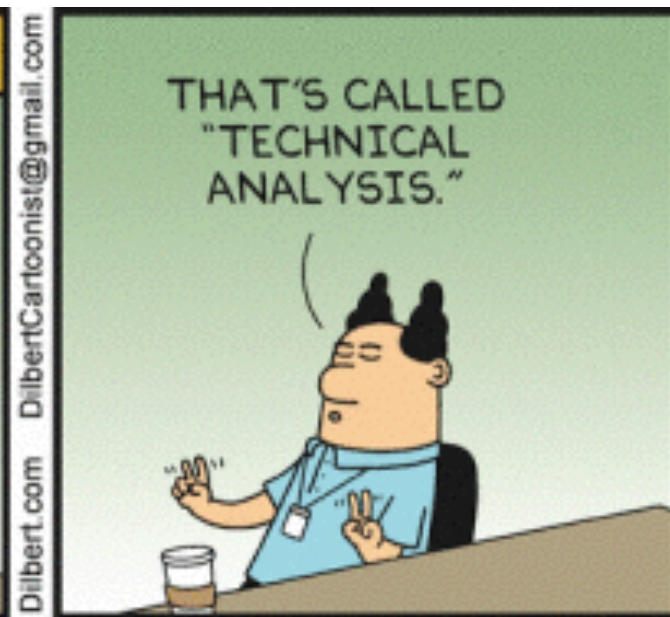
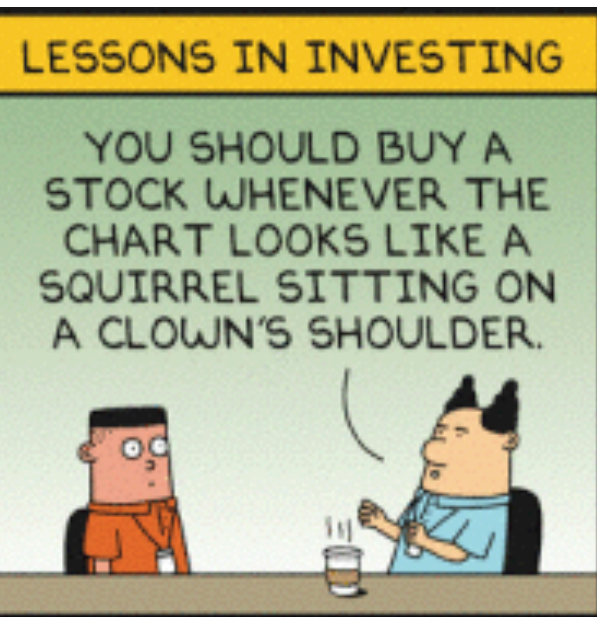
# Allocating Your TSP In Volatile Markets

Allowed 2 Inter-fund Transfers per Month

Can Move Funds into the G Fund in Addition to the Inter-Fund Transfers



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# Allocating Your TSP In Volatile Markets

## Considerations:

Assessing Your Tolerance for Risk

[https://advisors.vanguard.com/iwe/pdf/investor\\_questionnaire.pdf](https://advisors.vanguard.com/iwe/pdf/investor_questionnaire.pdf)



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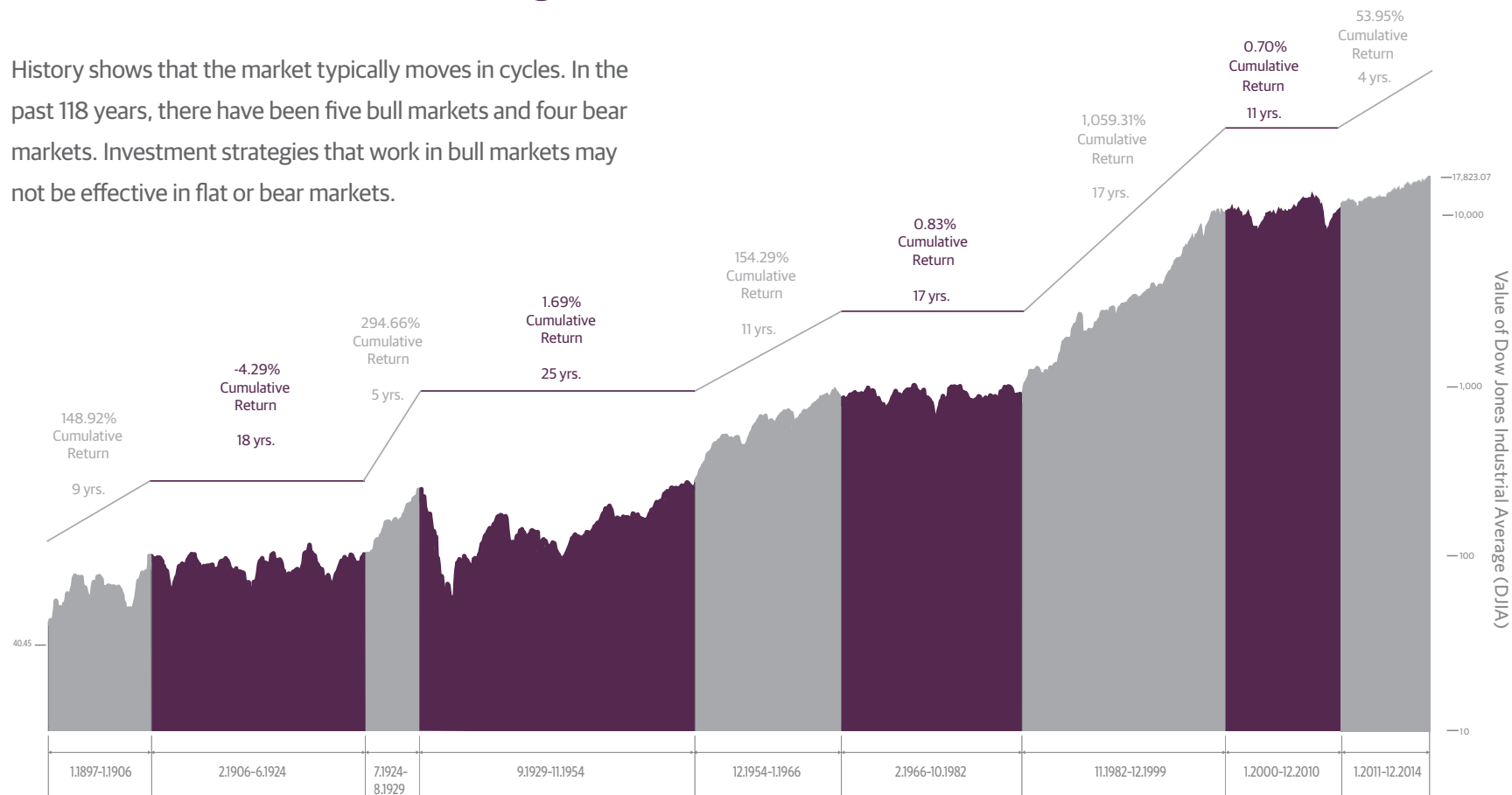


NOT A GOOD SIGN.  
OUR STOCK BROKER  
ENCLOSED A MOTION  
SICKNESS BAG WITH OUR  
LATEST STATEMENT...

STOCK MARKET  
IN FOR A WILD  
RIDE AFTER  
U.S. CREDIT  
DOWNGRADE

# Dow Jones Industrial Average Historical Trends

History shows that the market typically moves in cycles. In the past 118 years, there have been five bull markets and four bear markets. Investment strategies that work in bull markets may not be effective in flat or bear markets.



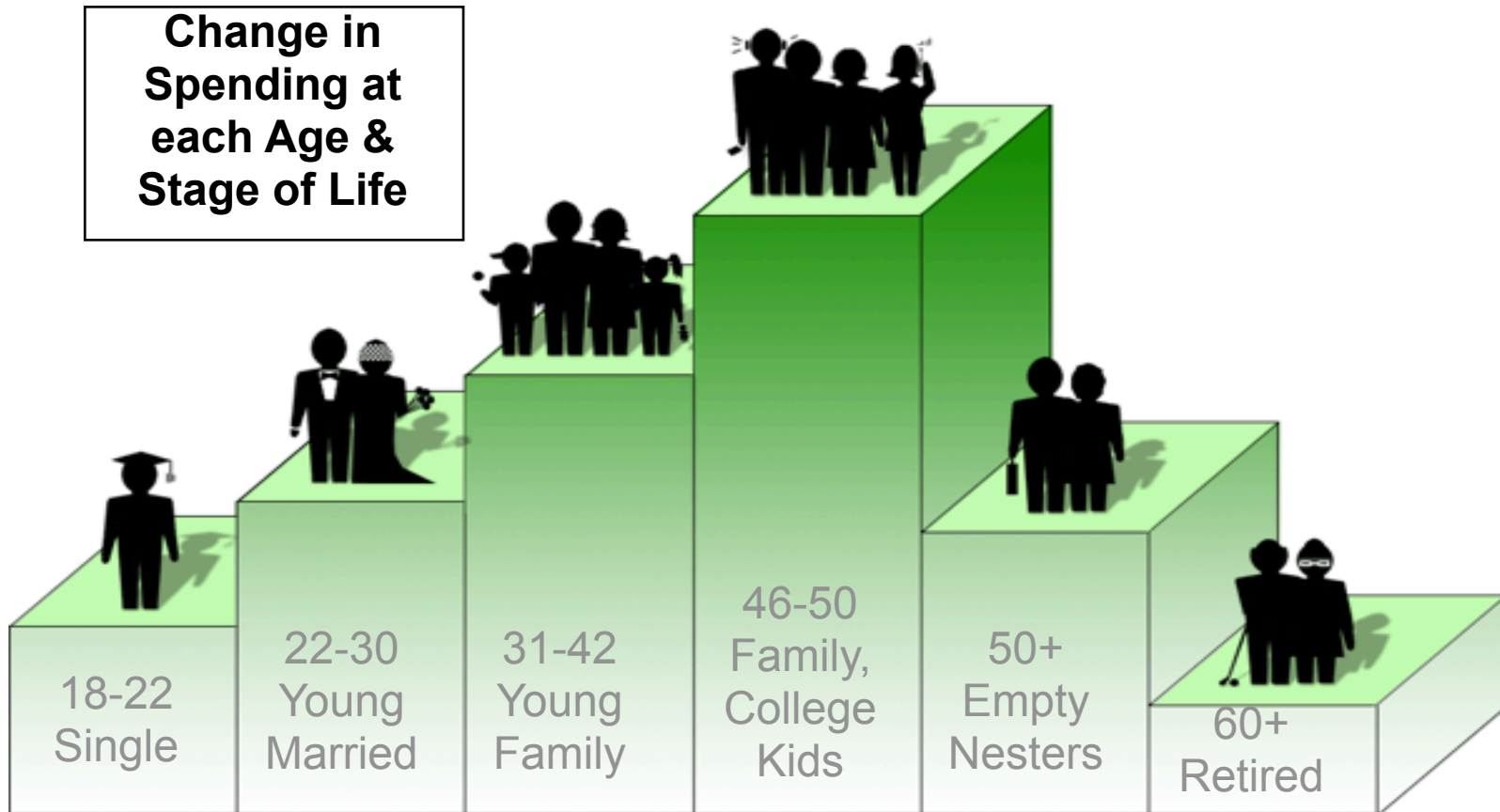
Source: Graph created by Guggenheim Investments using data from dowjones.com. Cumulative returns are calculated by Guggenheim Investments. Logarithmic graph of the Dow Jones Industrial Average from 11897 through 122014. Bull and bear markets illustrated are long-term secular periods and do not necessarily indicate all bull or bear market periods, which may differ based on methodology utilized. For this analysis, we considered the end of a bull market when the index drops below its peak and stays there for a significant period of time.

**Performance displayed represents past performance, which is no guarantee of future results.** For more information call 800.345.7999 or visit [guggenheiminvestments.com](http://guggenheiminvestments.com).

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# The bigger picture...



*Source: H.S. Dent Foundation*

Two of the greatest attributes any market participant can have are discipline and a plan of action. Without either of those you may find yourself subject to a vicious journey like this:

## Happy Trading...



# Allocating Your TSP In Volatile Markets

## Considerations:

Assessing Your Tolerance for Risk

[https://advisors.vanguard.com/iwe/pdf/investor\\_questionnaire.pdf](https://advisors.vanguard.com/iwe/pdf/investor_questionnaire.pdf)

Past Performance

Look at historical returns on [www.tsp.gov](http://www.tsp.gov)



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# 10-year Average Returns

Year	G Fund	F Fund	C Fund	S Fund	I Fund
<b>2005</b>	4.49%	2.40%	4.96%	10.45%	13.63%
<b>2006</b>	4.93%	4.40%	15.79%	15.30%	26.32%
<b>2007</b>	4.87%	7.09%	5.54%	5.49%	11.43%
<b>2008</b>	3.75%	5.45%	(36.99%)	(38.32%)	(42.43%)
<b>2009</b>	2.97%	5.99%	26.68%	34.85%	30.04%
<b>2010</b>	2.81%	6.71%	15.06%	29.06%	7.94%
<b>2011</b>	2.45%	7.89%	2.11%	(3.38%)	(11.81%)
<b>2012</b>	1.47%	4.29%	16.07%	18.57%	18.62%
<b>2013</b>	1.89%	(1.68%)	32.45%	38.35%	22.13%
<b>2014</b>	2.31%	6.73%	13.78%	7.8%	(5.27%)
<b>10-yr Avg</b>	3.12%	4.89%	7.72%	9.44%	4.57%



# 10-year Average Returns

Year	L Income	L 2020	L2030	L2040	L2050
<b>2005*</b>	2.15%	3.40%	3.59%	3.92%	
<b>2006</b>	7.59%	13.72%	15.00%	16.53%	
<b>2007</b>	5.56%	6.87%	7.14%	7.36%	
<b>2008</b>	(5.09%)	(22.77%)	(27.50%)	(31.53%)	
<b>2009</b>	8.57%	19.14%	22.48%	25.19%	
<b>2010</b>	5.74%	10.59%	12.48%	13.89%	
<b>2011</b>	2.23%	0.41%	(0.31%)	(0.96%)	
<b>2012</b>	4.77%	10.42%	12.61%	14.27%	15.85%
<b>2013</b>	6.97%	16.03%	20.16%	23.23%	26.20%
<b>2014</b>	3.77%	5.06%	5.74%	6.22%	6.37%
<b>10-yr Avg</b>	4.15%	5.62%	6.16%	6.51%	



# TSP Fund Returns

- For TSP fund returns use the link:
  - <https://www.tsp.gov/investmentfunds/returns/returnSummary.shtml>

Year	G Fund	F Fund	U.S. Agg. Bond Index	C Fund	S&P 500 Index	S Fund	DJ U.S. Completion TSM Index	I Fund	EAFE Index
2009	2.97%	5.99%	5.93%	26.68%	26.46%	34.85%	37.43%	30.04%	31.78%
2010	2.81%	6.71%	6.54%	15.06%	15.06%	29.06%	28.62%	7.94%	7.75%
2011	2.45%	7.89%	7.84%	2.11%	2.11%	(3.38%)	(3.76%)	(11.81%)	(12.14%)
2012	1.47%	4.29%	4.22%	16.07%	16.00%	18.57%	17.89%	18.62%	17.32%
2013	1.89%	(1.68%)	(2.03%)	32.45%	32.39%	38.35%	38.05%	22.13%	22.78%



# Year-to Date Returns as of 4/30/2015

**G Fund - .62%**

**F Fund - 1.40%**

**C Fund - 1.94%**

**S Fund - 3.81%**

**I Fund - 10.05%**

**L Income-1.41%**

**L 2020 - 2.73%**

**L 2030 - 3.32%**

**L 2040 - 3.69%**

**L 2050 - 4.16%**



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*Source: [tsp.gov](http://tsp.gov)*

# Allocating Your TSP In Volatile Markets

## Considerations:

Assessing Your Tolerance for Risk

[https://advisors.vanguard.com/iwe/pdf/investor\\_questionnaire.pdf](https://advisors.vanguard.com/iwe/pdf/investor_questionnaire.pdf)

Past Performance

Look at historical returns on [www.tsp.gov](http://www.tsp.gov)

Periodic Updates from TSP

Go to [www.tsp.gov](http://www.tsp.gov) and Click on “Get e-mail updates

Click on the icon to subscribe and you’ll receive automatic updates by e-mail from TSP

Outside Resources



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# HOW TO READ YOUR Annual TSP Participant Statement



## Thrift Savings Plan

[Mail Barcoding]

Name  
Address Line 1  
Address Line 2  
City, State Zip Code

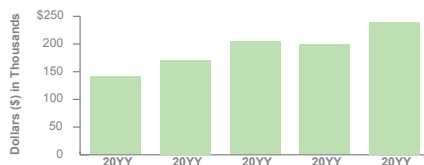
### How your account value changed in 20YY

	Traditional	Roth	Total
Value on January 1, 20YY	A summary of the activity in your account for the year. If you have only one type of balance, you will see only one column of numbers.		
Change in value this year			
Value on December 31, 20YY			

Your vested account balance is \$xx,xxx,xxx.xx  
You are always vested in (entitled to keep) your own contributions and your Agency Matching Contributions. However, you must meet time-in-service requirements to be entitled to keep your Agency Automatic (1%) Contributions. (See your own vesting requirement in the blue Account Number box to the right.)

Non-vested, active FERS employees only

### Your 5-Year Account Balance History



In this section, you can compare your annual account balances for the statement year and up to four preceding years.

### Questions?

Visit [www.tsp.gov](http://www.tsp.gov)

ThriftLine: 1-TSP-YOU-FRST (1-877-968-3778)  
Outside the U.S. and Canada: 404-233-4400  
TDD: 1-TSP-THRIFT5 (1-877-847-4385)

To correct any of your personal information, contact your agency.

This information depends on your employment status and may be different on your statement.

### Your 20YY Annual Statement

#### Account Number:

1234 5678 91011

Date of Birth: } Check to see if this information is correct.  
Retirement Coverage: }  
Employment Status: }

Service Required for Vesting:

Legal Residence:

Uniformed service members only

### Will you be ready for retirement?

Your 12/31/20YY account balance would provide you a lifetime TSP monthly amount of

**\$1,263\***

\*This estimate assumes:

- Age 62, or your current age if you are older
- A single life annuity, with level payments and no additional features
- An annuity interest rate index of x.xx0%

Think of the amount in your account as a source of monthly income in your retirement years rather than as a single sum of money. If your account balance were twice your current balance, your lifetime monthly amount would be twice the amount shown above, and so on. Use the How Much Will My Savings Grow? calculator on the TSP website to estimate how your account might grow over time.



Keep your account secure — review your account profile.

Custom ID Created: mm/dd/yyyy  
Web Password Date: mm/dd/yyyy  
Web Access: Blocked  
ThriftLine PIN Date: mm/dd/yyyy  
ThriftLine Access: Blocked  
Quarterly Statements: Electronic  
Annual Statements: Mailed  
Account Hold: Yes  
Power of Attorney or Guardianship/Conservatorship: On File

For FERS only, vesting pertains to Agency Automatic (1%) Contributions.

If you have at least \$20,000 in your account, this space will show you the estimated TSP monthly annuity amount you could expect to receive in retirement until the end of your life, using your end-of-year account balance.

To estimate what your account balance would actually be when you are ready to withdraw your account in retirement, use the How Much Will My Savings Grow? calculator on the TSP website.

Check this section carefully. It shows all the information we have for you in your account profile. If you think there are errors in any of this information, call the ThriftLine and speak to a Participant Service Representative.

# Thrift Savings Plan - Fees

2014 Expense Fees = .0285%



Use low-cost index funds

Keep it simple – only five funds available

Huge economies of scale – competitive procurement

Use commingled trust funds instead of individual accounts

- Only invest one amount per fund each day
- Individual accounts are maintained in TSP



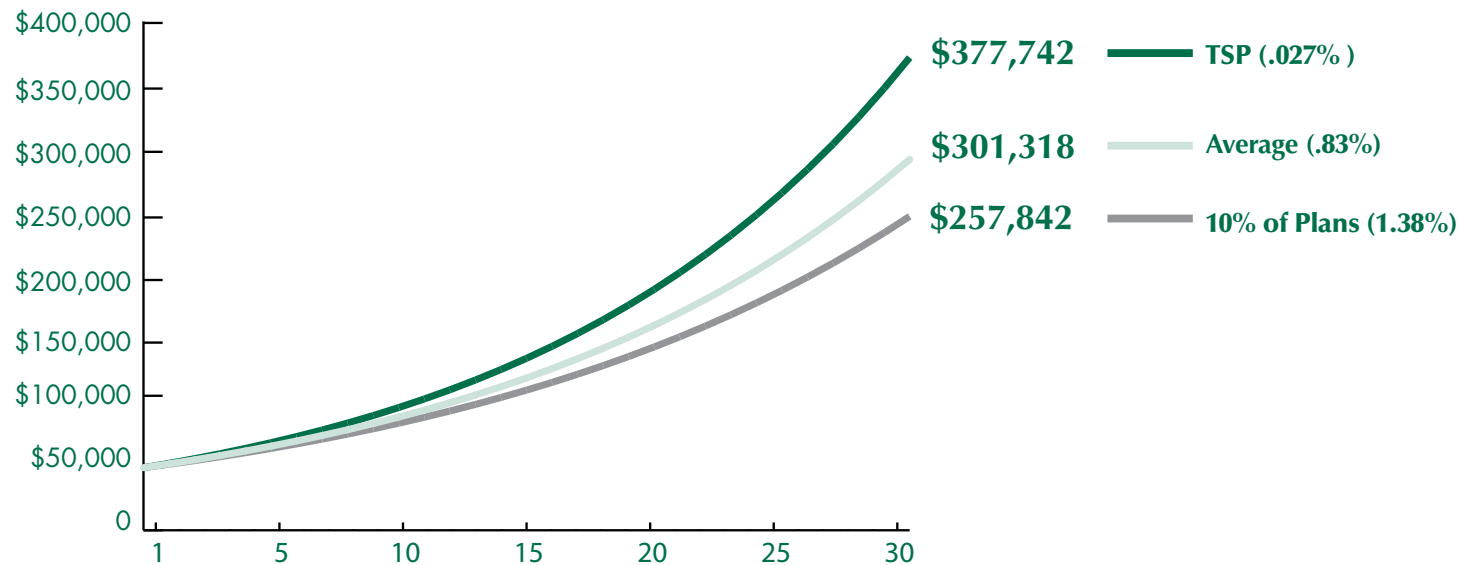
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# Long-term Effects of Lower Fees

Average Fee in Defined Contribution Plan - \$8.30/\$1,000

10% of Defined Contribution Plans Have Fees - \$13.80/\$1,000

**Long-term effect of paying less to invest?** You save more — a lot more. Compare how \$50,000 will grow over 30 years at various fee levels (and a 7% annual rate of return).



\* Deloitte. "Inside the Structure of Defined Contribution/401(k) Plan Fees: A Study Assessing the Mechanics of the 'All-In' Fee." Investment Company Institute, 2011.



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# Know Your Investment Costs!

- Do not focus solely on the rate of return of an investment.
- Before investing, be sure you understand both the initial expenses and the annual expenses (fees) that will lower your investment returns over time.
- If you use brokerage or a financial adviser, be sure you know the amount of broker commission or adviser's annual fee before you invest.



# Tips for Maximizing Your TSP

Don't contribute too much, too soon

Develop a strategy/plan for monitoring your funds

- What's the overall state of the economy
- What are you willing to risk
- How does your current allocation fit your retirement plan
- If you have had a loss, what's your recovery plan



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# Types of TSP Loans



General Purpose  
No documentation required

and



Residential  
For purchase or construction  
of a primary residence



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# TSP Loans

Two Types of TSP Loans – May have one of each

- General – 1-5 years to repay – No documentation

- Residential – 1-15 years to repay – Documentation

Apply Online or Paper Application (TSP-20)

Current Interest Rate –2%

Amounts You Can Borrow

- Must borrow at least \$1,000

- 50% of current vested balance up to \$50,000

After Repaying Loan Must Wait 60 Days to Borrow Again



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# TSP Loans

Risks –

Loan payments may cause you to contribute less to your TSP

If your TSP earns a higher return than the loan interest rate, there will be less in TSP

Residential loans are not considered mortgages and interest is not deductible on tax return

Your loan is paid back with after-tax dollars



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# TSP Withdrawal Options

Once you've separated from Federal service or the uniformed services, you are required to make a withdrawal choice for your TSP account balance by April 1 of the year following the year you become age 70½.

You **do not** have to withdraw your TSP account all at once (though you have this choice). However, you must start to withdraw the IRS “Required Minimum Distribution” which is the amount that you must withdraw each year.



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# TSP Withdrawal Options - Cont'd

You can choose to:

- Receive TSP monthly payments (you can change the dollar amount during the annual change period at the end of each calendar year);
- A life annuity;
- Withdraw part of your TSP account; or
- Any combination of those three options.

For more details, see [www.tsp.gov/PDF/formspubs/tspb02.pdf](http://www.tsp.gov/PDF/formspubs/tspb02.pdf)



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# Creating Income From Your TSP in Retirement

Two Chances to Take Distributions at Retirement -

Partial withdrawal using Form TSP-77

Full withdrawal using Form TSP-70

**OR**

Create an immediate annuity through  
TSP (Met Life) Current Rate 2.125%



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# Drawdown

January 2000 - December 2008



**\$100,000**

**\$55,270**

**+81%**

— S&P 500

**\$500 Monthly  
Distribution**

**\$12,500**

**\$42,770**

## 2 Brothers, 2 (Different) Retirements

- Two Brothers, Steve and Bill, each retire with \$500,000 in their Thrift Savings Plan
- Both Will Use \$30,000 Annually for Income
- **Steve retires in 1990; Bill retires in 2000**
- The result?



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# Income and Sequence of Returns

**Steve**  
Retired in 1990



Year	Return	WD	Balance
1990	-4.34%	\$ 30,000	\$ 449,602
1991	20.32%	\$ 30,000	\$ 504,865
1992	4.17%	\$ 30,000	\$ 494,667
1993	13.72%	\$ 30,000	\$ 528,419
1994	2.14%	\$ 30,000	\$ 509,085
1995	33.45%	\$ 30,000	\$ 639,340
1996	26.01%	\$ 30,000	\$ 767,829
1997	22.64%	\$ 30,000	\$ 904,873
1998	16.10%	\$ 30,000	\$ 1,015,728
1999	25.22%	\$ 30,000	\$ 1,234,328

**Bill**  
Retired in 2000



Year	Return	WD	Balance
2000	-6.18%	\$ 30,000	\$ 440,954
2001	-7.10%	\$ 30,000	\$ 381,776
2002	-16.76%	\$ 30,000	\$ 292,819
2003	25.32%	\$ 30,000	\$ 329,364
2004	3.15%	\$ 30,000	\$ 308,794
2005	-0.61%	\$ 30,000	\$ 277,094
2006	16.29%	\$ 30,000	\$ 287,345
2007	6.43%	\$ 30,000	\$ 273,892
2008	-33.84%	\$ 30,000	\$ 161,359
2009	18.82%	\$ 30,000	\$ 156,081

This hypothetical example is for illustrative purposes only, and should not be deemed a representation of past or future results, and is no guarantee of return or future performance.

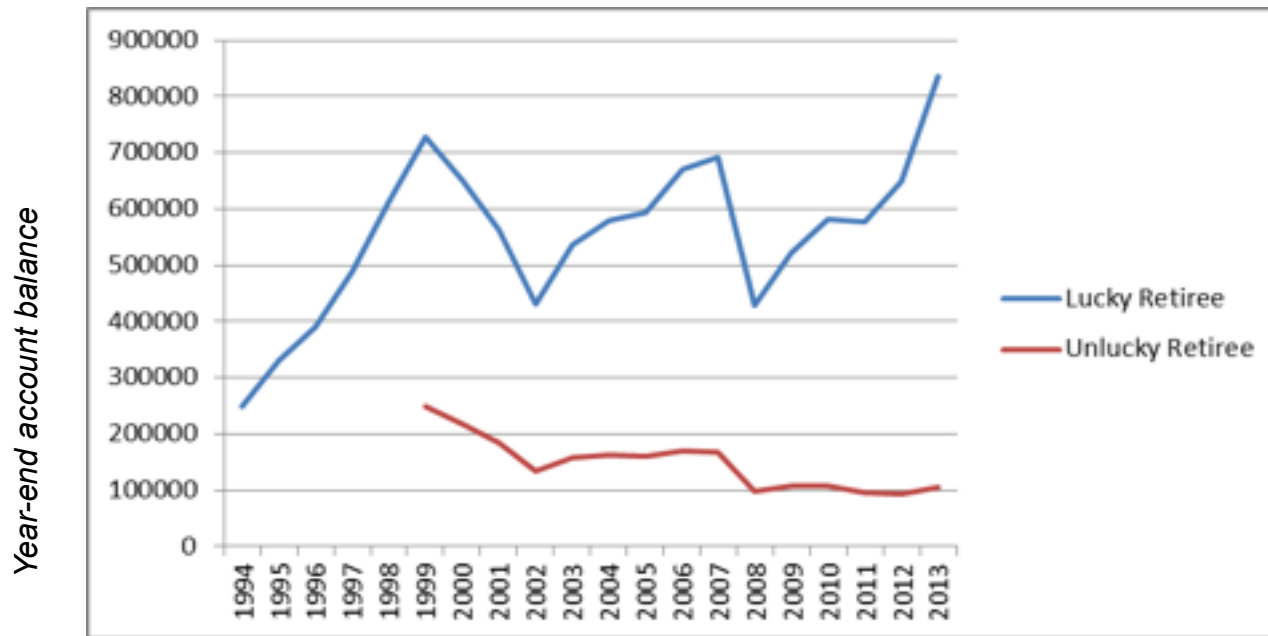
This example does not represent any specific product and/or service.

Source: Forecastchart.com – The Dow Jones Industrial Average is an index of 30 large, publicly traded companies based in the United States. Investors cannot invest directly in an index.

Dividends are not included.

# Timing is Everything

Simple “rule of thumb” income strategies may not manage risk sufficiently

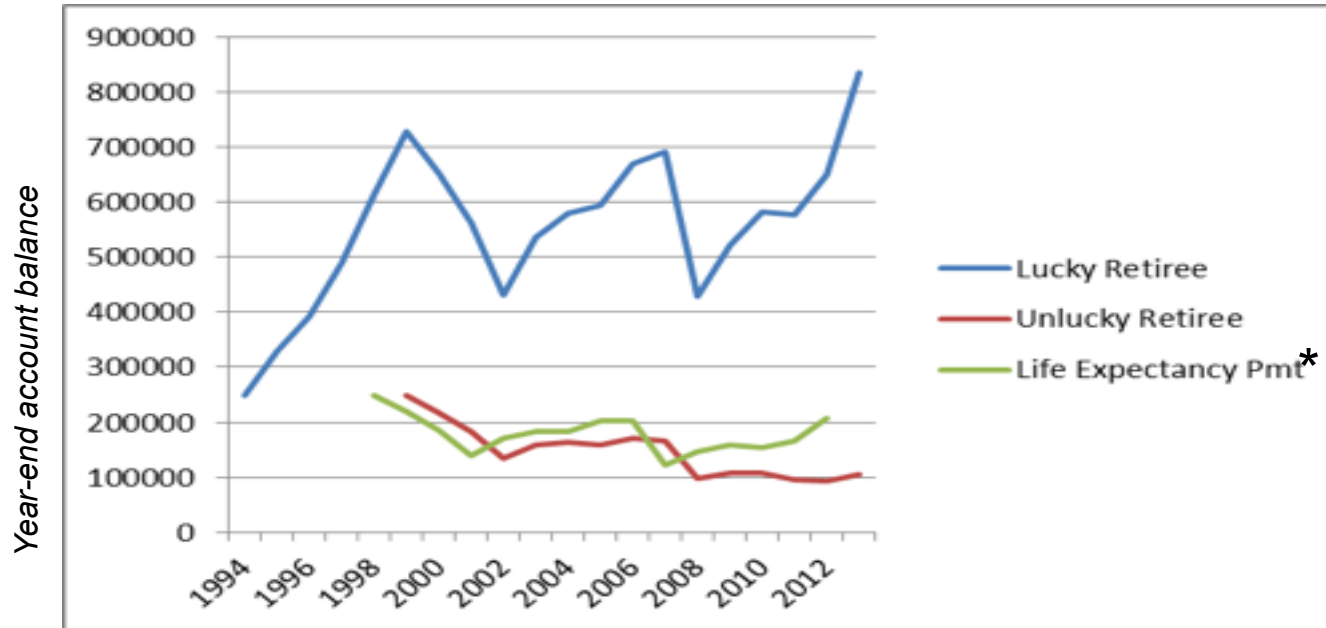


The so-called “4% rule” can produce vastly different outcomes depending on the timing of market returns



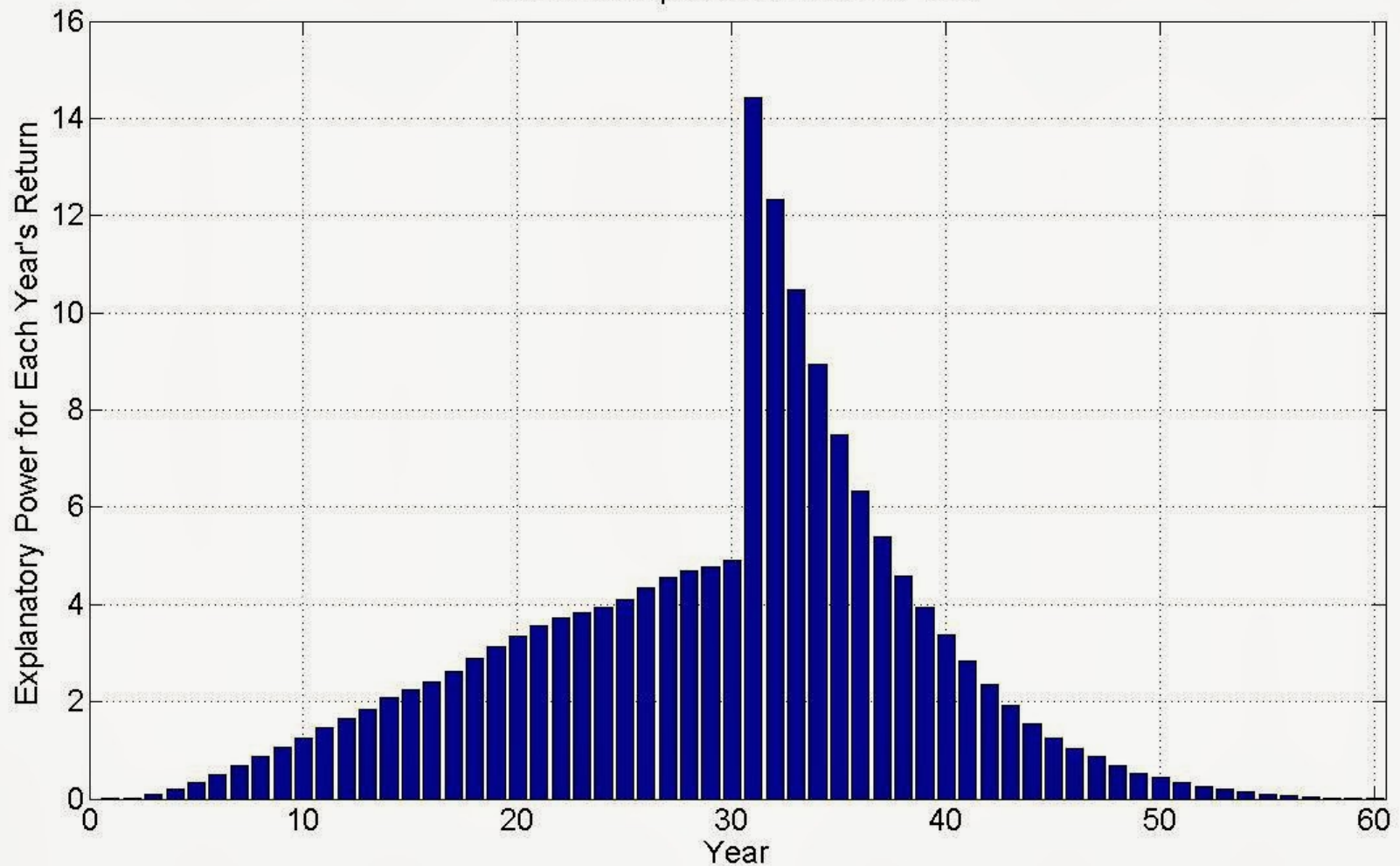
# Life Expectancy Payments

Annually adjusted payments reduce the risk of running out of money

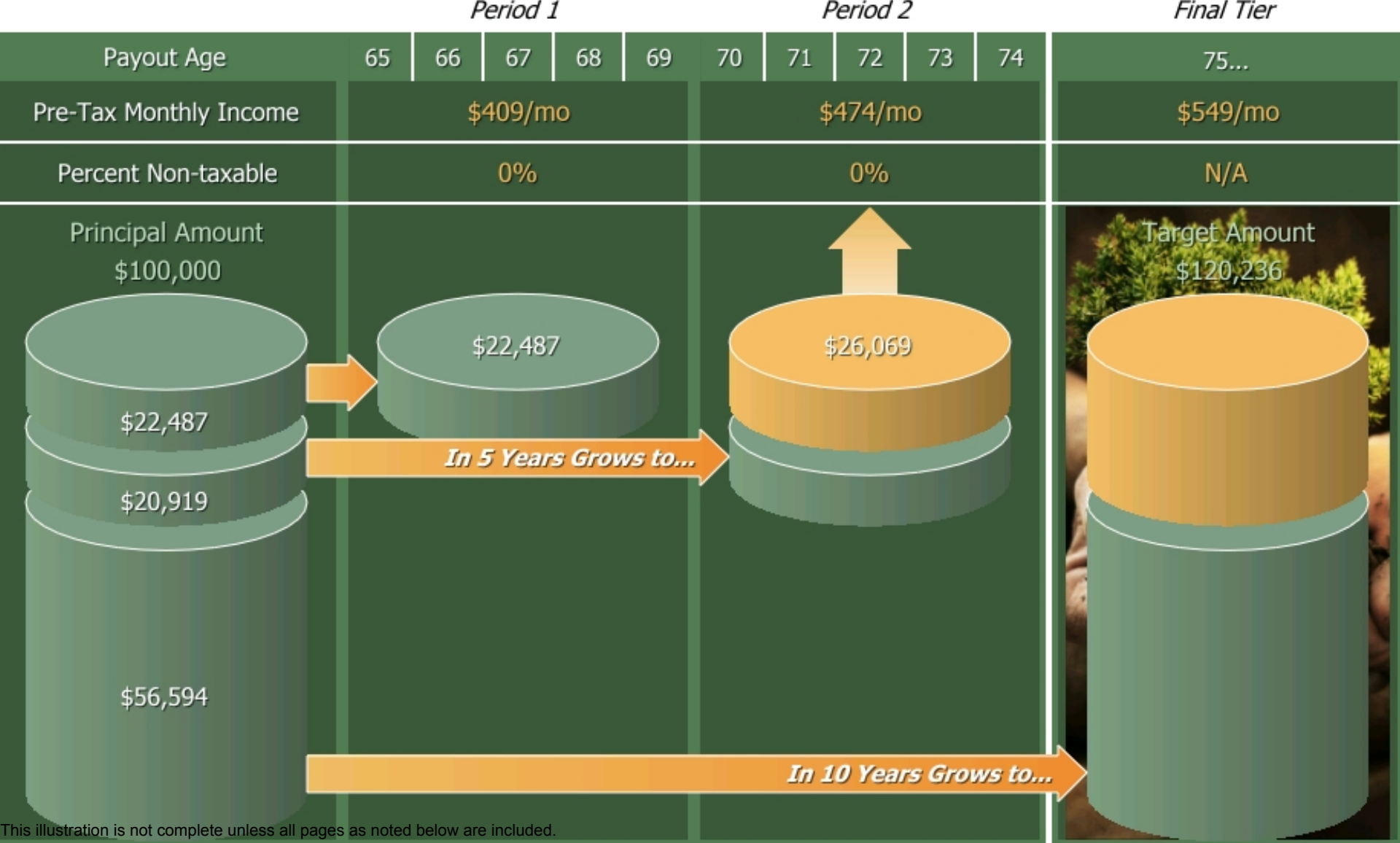




Lifetime Sequence of Returns Risk



What the figure shows is how much each year's return impacts the financial planning outcomes. For the first 30 years, what we see is the percentage of the final wealth accumulation at the retirement date which can be explained by the investment return experienced in years 1-30. What we observe is that with wealth so low at the beginning, the early returns have very little impact on the final result. A given percent change in the portfolio value does not have much impact on the absolute amount of wealth accumulated at the end. It is the returns experienced at the end of the 30-year period which have the biggest impacts on the final wealth accumulation, as this is when a given percentage change in the portfolio value has the biggest impact on absolute wealth.



This illustration is not complete unless all pages as noted below are included.

# Investing Outside the TSP

Common investment avenues outside the TSP are:

- Broker Dealers
- Investment Advisers
- Funds
- Insurance Companies



If you Choose to Invest Outside the TSP, Know who You're Dealing With!

The Securities and Exchange Commission has an Investment Adviser Public Disclosure website:

[http://www.adviserinfo.sec.gov/IAPD/Content/IapdMain/iapd\\_SiteMap.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/IapdMain/iapd_SiteMap.aspx)

You can learn more about brokers and their representatives through the FINRA webpage:

[www.finra.org/Investors/ToolsCalculators/BrokerCheck](http://www.finra.org/Investors/ToolsCalculators/BrokerCheck)

For accredited designations of financial professionals, use the link:

<http://www.finra.org/Investors/ToolsCalculators/ProfessionalDesignations/AccreditedDesignations/index.htm>



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**I. INFORMATION ABOUT YOU** — This section is required.

1. This request applies to my: ☐ Civilian Account OR ☐ Uniformed Services Account

**2.**

Last Name	First Name	Middle Name	

[illegible]

6. ☐ Foreign address? Check here.

7. ☐

Street Address or Box Number (For a foreign address, see instructions on back.)

Street Address Line 2

8. 

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

  
City

9. 

--	--

  
State

10. 

--	--	--	--	--	--

 = 

--	--	--	--	--	--

  
Pin Code

**II. MARRIED FERS AND UNIFORMED SERVICES PARTICIPANTS**—If your total TSP account balance is more than \$3,500, your spouse is entitled to a joint life annuity. You must use your TSP account balance to purchase that annuity, and no cash refund. Check item 11 below to use your entire account balance to purchase that annuity. Otherwise, complete Items 12-15, then proceed to Section IV.

**11.** ☐ Choose the default joint life annuity with my spouse. (Option 3b in Section XIII). Skip to Section VI and complete Page 6.  
**12.** \_\_\_\_\_  
Spouse's Name (Last, First, Middle) Spouse's Social Security Number

If you are not able to obtain your spouse's signature below, provide your spouse's name and Social Security number and submit Form TSP-16, Exception to Spousal Requirements [TSP-U-16 for uniformed services], with this request.

**Spouse's waiver:** I waive my right to a joint life annuity with a 50% survivor benefit, level payments, and no cash refund.

13.  14. / /

15. Notary. Please complete the following. No other acknowledgement is acceptable [see instructions].

The person who signed this form is known to or was identified by me, and before signing or acknowledged to have signed this form. In witness thereof, I have signed below on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

My commission expires:

Date (mm/dd/yyyy) \_\_\_\_\_ Notary Public's Signature \_\_\_\_\_

[cont.]

*Journal of Interpersonal Violence*

**III. MARRIED CSRS PARTICIPANTS** — We must notify your spouse of your withdrawal request.

[illegible]

17. Is your spouse's address the same as your address?

☐ Yes ☐ No [Complete Items 18–22.] ☐ Don't know spouse's address. [Provide spouse's SSN and submit Form TSP-16.]

\_\_\_\_ - \_\_\_\_ - \_\_\_\_

Spouse's Social Security Number

[illegible]

20.  21.  22.  - 

Do Not Write Below This Line



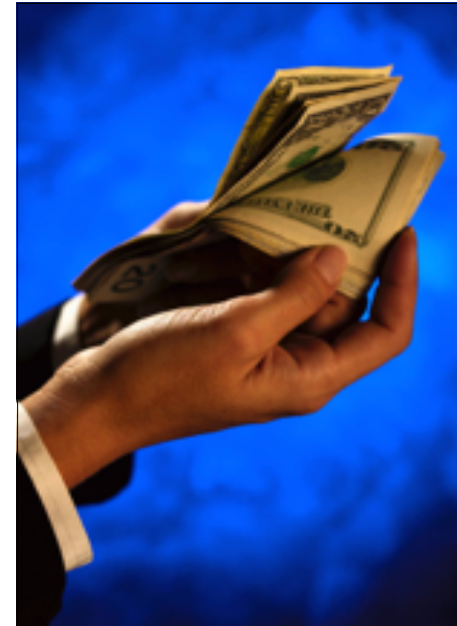
# Monthly Payments

- Fixed dollar amount
  - Amount specified by participant
  - Minimum payment \$25
  - Amount may be changed annually

**IV. WITHDRAWAL ELECTION**— This section is required. Choose one or more methods. Indicate percentages in whole numbers. If choosing monthly payments, include the dollar amount of each payment or choose to have the TSP compute your payments based on your life expectancy.

23. I would like to withdraw my entire account balance as follows:

a.	<input type="text"/>	<input type="text"/>	<input type="text"/>	.0%	Single Payment						
b.	<input type="text"/>	<input type="text"/>	<input type="text"/>	.0%	Life Annuity (Must equal \$3,500 or more. Also complete Page 6.)						
c.	<input type="text"/>	<input type="text"/>	<input type="text"/>	.0%	TSP Monthly Payments → Tell us how to pay your monthly payments:						
<hr/>											
100				% (Total a, b, and c)							
				\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00 per month (\$25.00 or more)
					OR						
				<input type="checkbox"/>	Compute my payments based on my life expectancy.						



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# Monthly Payments

- Life expectancy option
  - Payments are computed by TSP
  - Amount automatically adjusts annually

**IV. WITHDRAWAL ELECTION** — This section is required. Choose one or more methods. Indicate percentages in whole numbers. If choosing monthly payments, include the dollar amount of each payment or choose to have the TSP compute your payments based on your life expectancy.

23. I would like to withdraw my entire account balance as follows:

a.	<table border="1"><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr></table>							.0% Single Payment
b.	<table border="1"><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr></table>							.0% Life Annuity (Must equal \$3,500 or more. Also complete Page 6.)
c.	<table border="1"><tr><td>100</td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr></table>	100						.0% TSP Monthly Payments → Tell us how to pay your monthly payments:
100								
<hr/>								
100 % (Total a, b, and c)								

\$ 


 .00 per month (\$25.00 or more)

OR

☒ Compute my payments based on my life expectancy.



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# Life Annuity

- Provides steady lifetime income
- Funds are transferred from TSP to the annuity provider, and benefits are “locked in” when request is processed

**IV. WITHDRAWAL ELECTION** — This section is required. Choose one or more methods. Indicate percentages in whole numbers. If choosing monthly payments, include the dollar amount of each payment or choose to have the TSP compute your payments based on your life expectancy.

23. I would like to withdraw my entire account balance as follows:

a.	<table border="1"><tr><td></td><td></td><td></td></tr></table>				.0% Single Payment
b.	<table border="1"><tr><td>100</td><td></td><td></td></tr></table>	100			.0% Life Annuity (Must equal \$3,500 or more. Also complete Page 6.)
100					
c.	<table border="1"><tr><td></td><td></td><td></td></tr></table>				.0% TSP Monthly Payments → Tell us how to pay your monthly payments:

100 % (Total a, b, and c)

\$ 

--	--	--	--

 .00 per month (\$25.00 or more)

OR

☐ Compute my payments based on my life expectancy.



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# Mixed Withdrawals

**IV. WITHDRAWAL ELECTION** — This section is required. Choose one or more methods. Indicate percentages in whole numbers. If choosing monthly payments, include the dollar amount of each payment **or** choose to have the TSP compute your payments based on your life expectancy.

23. I would like to withdraw my entire account balance as follows:

a. 

	1	0
--	---	---

.0% Single Payment

b. 

	2	0
--	---	---

.0% Life Annuity (Must equal \$3,500 or more. Also complete Page 6.)

c. 

	7	0
--	---	---

.0% TSP Monthly Payments → Tell us how to pay your monthly payments:

100 % (Total a, b, and c)

\$ 

--	--

, 

--	--	--

.00 per month (\$25.00 or more)

OR

☒ Compute my payments based on my life expectancy.



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# Beneficiary Designations

Form TSP -3 to Name Beneficiaries

If no TSP-3 on file at death, TSP is distributed according to Order of Precedence

- \* To widow or widower
- \* If none, to child or children equally and to descendants of deceased children by representation
- \* If none, to parents equally or to the surviving parent



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# Costs - Premiums

2015 premiums averaged a 3.4% increase from 2014 premiums

Premiums are available for Self and Self & Family  
OPEN SEASON 2016 - Self + One becomes available  
(November 2015)

The government pays the lesser of:

72% of the average total premium of all plans weighted by  
the number of enrollees in each

OR

75% of the premium for the specific plan you choose



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# Health Insurance - FEHB

While employed, premiums are paid using premium conversion provision – paid with pre-tax dollars.

Retirees cannot participate in premium conversion.

FEHB continues into retirement if you :

- Were insured on your retirement date
- Retired on an immediate annuity
- Were enrolled or covered as a family member for the 5 years immediately preceding retirement or since first opportunity to enroll



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# Open Season

From 2nd Monday in November to 2nd Monday in December, you can:

- Enroll in, change or cancel an existing enrollment in a health plan under the FEHB Program.
- Enroll in, change, or cancel an existing enrollment in a dental plan.
- Enroll in, change, or cancel an existing enrollment in a vision plan.
- Enroll in a flexible savings account (health care or dependent care). You must re-enroll each year.



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# Ground Rules

- No pre-existing condition clause.
- All plans provide coverage against catastrophic medical costs, but there are differences of almost \$10,000 in limits from best to worst. It pays to understand what's included in the out-of-pocket limit.
- No re-enrollment to stay in same plan.
- Must re-enroll in a flexible savings account (health care or dependent care) each year.





# How Does the Affordable Care Act Affect Your FEHB?

Children up to the age of 26 can be covered under their parent's plan.

Flexible Spending Accounts contributions are limited to \$2,500/year for medical expenses.

Flexible Spending Accounts may not be used to purchase over-the-counter medications.



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# Insider Secrets to Getting the Most from Your FEHB

## 1. Before you pick your plan, assess your own health needs.

A. What types of procedures do you need covered by insurance. Evaluate your medical expenses from the previous year and consider upcoming health needs for you and your dependents.

B. What are your health care priorities? Once you know your priorities concerning costs, coverage, and convenience of health care, the field of choices begins to narrow.

C. How much can you afford? Saving money is one thing, but that doesn't necessarily equate to selecting the cheapest plan.



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# Insider Secrets to Getting the Most from Your FEHB

## 2. Talk to your doctor's office.

A. While you may understand your body best, your doctor can provide key insights into any upcoming procedures or prescriptions.

B. What plans are your providers with? It's more important to select your doctor first and plan second based on your doctor's network.



# Insider Secrets to Getting the Most from Your FEHB

## 3. Know your age bracket.

A. Young and single - you may want to consider an inexpensive plan that will at least cover annual exams. An HMO or a HDHP may be a good alternative for you.

B. Couples with kids - your decision will center around pregnancy and child healthcare. Some FEHB plans provide special benefits for pregnancy that include maternity care, before, after and during delivery.

C. Those nearing retirement - as you near age 65, you'll want to give serious consideration to how your FEHB interacts with Medicare.



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# Insider Secrets to Getting the Most from Your FEHB

## 4. Don't let bureaucratic language scare you.

Only 9% of FEHB participants change plans in any given year. Plan documents can be daunting and comparing plans can seem next to impossible. Take the time to look into your benefits which can save you money and heartache in the long run.



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# Demystifying FEHB

1. Coverage
2. Cost
3. Choice
4. Convenience



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# Health Insurance - FEHB

## Choosing Your Plan -

Health Maintenance Organization “HMO” – Choose a primary care physician (PCP) from a list of member physicians. The PCP provides general medical care and must provide a referral to see a specialist (who must also be part of the HMO).

No coverage for out-of-network care (except emergencies)

Typically, no deductibles but members often pay a co-payment for care.



# Health Insurance - FEHB

Choosing Your Plan - Regional

Preferred Provider Organization “PPO” –

Do not have to choose a primary care physician and can refer themselves to specialists.

Do not have to stay within network, but there is a financial incentive to do so.

Typically, deductibles are required before benefits begin and can also include co-payments that are larger than HMOs.



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# Health Insurance - FEHB

Choosing Your Plan - National

Fee-for-service “FFS” w/PPO–

You must use the plan’s network to reduce your out-of-pocket costs.

Not using PPO providers means only some of your claims will be paid.



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# FEHB–Fee-for Service Providers

APWU Health Plan

Blue Cross/Blue Shield Service Benefit Plan

GEHA Benefit Plan

Mail Handlers Benefit Plan

NALC

SAMBA

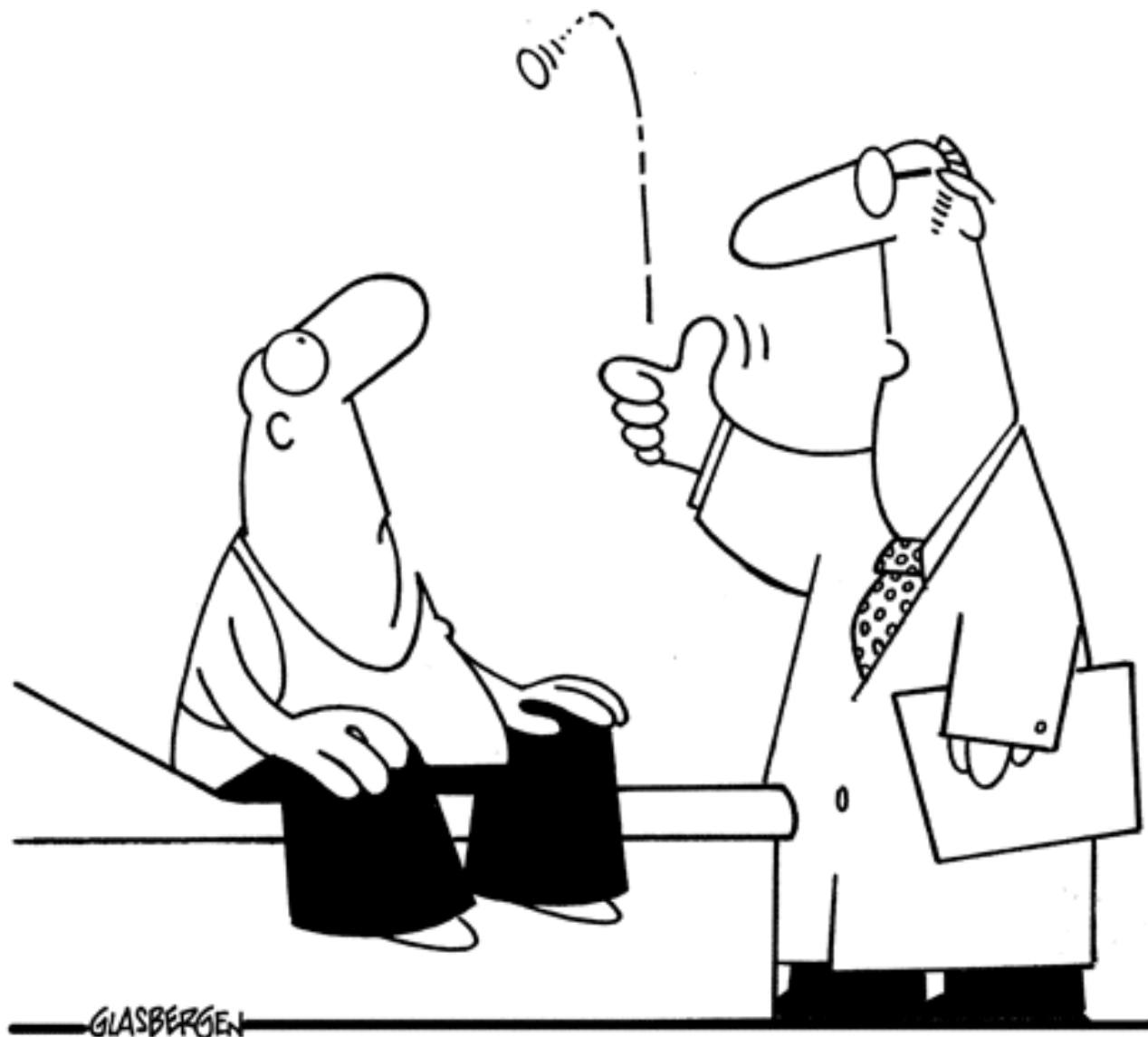


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# Health Care Resources

- [www.guidetohealthplans.org](http://www.guidetohealthplans.org) – non-profit organization that provides comparative information on current federal health plans – Check to see if your agency has paid for **Consumer's Checkbook**
- [www.plansmartchoice.com](http://www.plansmartchoice.com) – non-profit organization that provides comparison tool for federal plans





**"Heads, you get a quadruple bypass.  
Tails, you take a baby aspirin."**

# Making FEDVIP Work for You

## Eligibility:

FEDVIP provides dental and vision benefits to federal and postal employees, retirees, annuitants, and qualifying family members. You must qualify for the FEHB program (you do not have to be enrolled).

Qualifying family members include spouses and unmarried dependent children under age 22. Coverage may extend to children over age 22 with disabilities.



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# Making FEDVIP Work for You

## Plans and Options:

Six national dental plans:

Aetna

Delta

FEP Blue

GEHA

MetLife

United Concordia



One regional dental plan:

Humana Dental



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# Making FEDVIP Work for You

## Plans and Options:

Four national vision plans:

Aetna Vision

FEP Blue Vision

United Healthcare Vision Plan

Vision Service Plan (VSP)



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# Making FEDVIP Work for You

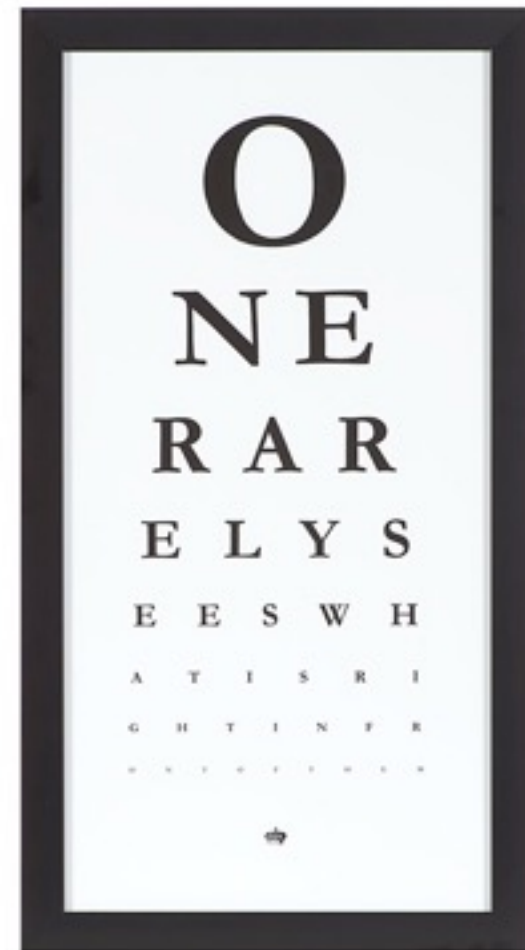
## Plans and Options:

Three options for coverage:

Self Only

Self Plus One

Self and Family



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# Getting Started in FEDVIP

1. Do you need separate dental and/or vision insurance?
2. Who and what do you need covered?
3. Does location matter?
4. Do costs play a factor?





# Flexible Spending Account “FSA” - Flexible Ways to Afford Healthcare

FSAFEDS administers the FSA which allows you to set aside a portion of earnings to pay for qualified medical expenses. You are able to save on a wide variety of medical, dental, vision and daycare expenses.

For 2015, contribution limit is \$2,550 which is NOT a household maximum.



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# Flexible Spending Account “FSA” - Flexible Ways to Afford Healthcare

## Calculating How Much to Save in Your FSA

1. Look backwards - look over your healthcare receipts from last year.
2. Think forward - look ahead, too. If you know for certain you're having surgery not covered by insurance, take that into account.
3. Add it up - put those costs together to get relatively close to how much you will likely spend next year.



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# Qualified Medical Expenses for FSA Must Be:

Rendered by a health care professional appropriately licensed or certified in the state in which he or she practices; AND

Performed within the scope of the health care professional's license

## Qualified Expenses Include:

Dental treatments

Prescriptions

Eye exams, glasses and contacts

Acne treatments

Immunizations

Out-of-pocket expenses

Over-the-counter drugs (w/RX)

Acupuncture

Chiropractors

[www.fsafeds.com/fsafeds/eligibleexpenses.asp](http://www.fsafeds.com/fsafeds/eligibleexpenses.asp)



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# TriCare and FEHB

If you are covered under TriCare while employed with the federal government, that coverage counts toward the 5-year requirement to take FEHB into retirement.

- You must be enrolled at retirement (you would enroll 1 full year prior)
- You can suspend your FEHB coverage and use TriCare
- You can suspend TriCare and use FEHB
- Provides more options, coverage choices nationwide



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# Medicare

## Part A – Hospitalization

Deductible - \$1,216\*

Pay 1.45% of pay while working

Free at age 65



## Part B – Medical Expenses

Deductible \$147\* +20% after deductible

Pay \$104.90/mo\* with MAGI under \$85,000

Pay \$319.70/mo\* with MAGI over \$214,000

## Part C - Medicare Advantage (HMO)

## Part D – Prescription Drug Plan



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# Medicare



## Enrollment:

Age 65 – Part A - within 7-month window of birthdate

Part B – within 7-month window of birthdate if  
retired otherwise within 8 months after retirement

General enrollment is from January 1 to March 31 each  
year. Penalty for not enrolling “on time” is 10% for  
each 12 months late.



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# Medicare

Do you need Part B?



Most federal employees use their FEHB as a Part B replacement. You can have both, but you will be paying not only your portion of the FEHB but the Medicare premiums, as well.

Medicare becomes the primary payor and your FEHB acts as a supplement in this case.



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# FEGLI

**Basic coverage** – Current salary rounded to the nearest thousand + \$2,000

Costs .15/thousand = employee share

Federal government picks up 1/3 of premium

**Option A** - \$10,000

Must have Basic coverage to participate

Costs increase from \$.30 - \$6.00 from age 35 to age 60

**Option B** – Current salary rounded to the nearest thousand in multiples from 1-5

Must have Basic coverage to participate Costs increase dramatically at age 55 and beyond



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# FEGLI

<b>Age Band</b>	<b>* Premium/\$1000/ Month</b>
<b>For persons ages 35 and under</b>	<b>\$0.043</b>
<b>For persons ages 35 through 39</b>	<b>\$0.065</b>
<b>For persons ages 40 through 44</b>	<b>\$0.108</b>
<b>For persons ages 45 through 49</b>	<b>\$0.173</b>
<b>For persons ages 50 through 54</b>	<b>\$0.282</b>
<b>For persons ages 55 through 59</b>	<b>\$0.498</b>
<b>For persons ages 60 through 64</b>	<b>\$1.127</b>
<b>For persons ages 65 through 69</b>	<b>\$1.343</b>
<b>For persons ages 70 through 74</b>	<b>\$2.47</b>
<b>For persons ages 75 through 79</b>	<b>\$3.90</b>
<b>For persons ages 80 &amp; Over</b>	<b>\$5.20</b>



# FEGLI

**Option C**– For spouse and minor children

Spouse = \$5,000 in multiples of 1-5

Children - = \$2,500 in multiples of 1-5

Children covered until age 22 unless disabled

Costs increase from \$.27 to \$3.00 from age 35 to age 60

In retirement – you choose how much of the benefits to keep.



# FEGLI

At retirement, most federal employees choose to keep their Basic coverage with a 75% reduction and eliminate their other coverages. This reduces or eliminates the cost at age 65.

To compare coverage and premiums:

[www.opm.gov/calculator/worksheet.asp](http://www.opm.gov/calculator/worksheet.asp)



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# FLTCIP 2.0



## Federal Long-term Care

The Federal Long Term Care Insurance Program™

Original coverage was established in 2002 as a partnership between John Hancock and MetLife – managed by LTC Partners

John Hancock awarded next 7-year contract beginning October 1, 2009 – still managed by LTC Partners



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# FLTCIP 2.0



## Federal Long-term Care

The Federal Long Term Care Insurance Program™

Available for current federal employees, their spouses/  
same-sex partners

Access to limited underwriting during Open Season



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# FLTCIP 2.0



## Federal Long-term Care

The Federal Long Term Care Insurance Program™

You make four choices in creating your coverage:

How much? \$50 - \$450/day

How long? 2 years, 3 years, 5 years or lifetime

Inflation? 4% compound, 5% compound or future purchase

Deductible? 90 days



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# FLTCIP 2.0



## Federal Long-term Care

The Federal Long Term Care Insurance Program™

All tax-qualified plans:

Pay non-taxable benefits directly to you

Start payments when you cannot perform 2 out of 6 activities of daily living (certified by your physician) or cognitive impairment

Provide for the deductibility of premium payments under certain conditions

To calculate premiums or apply for coverage:

[www.ltcfeds.com](http://www.ltcfeds.com)



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# Taxes While Working

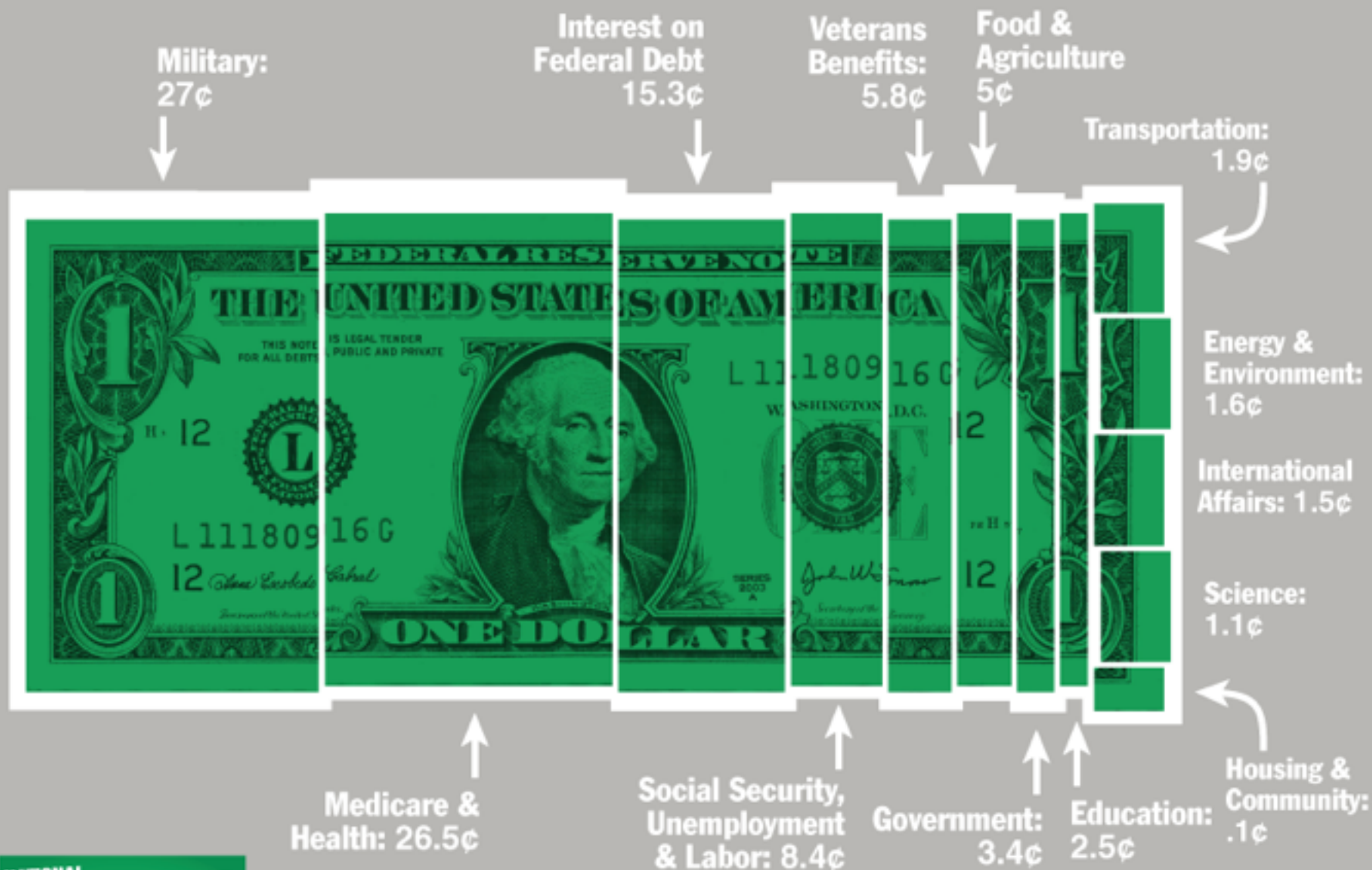
- Your current W-4 dictates withholding from your salary
- Contributions to Thrift Savings Plan reduce taxable income
- Unused annual leave is paid in a lump sum and taxes withheld at the higher lump sum rates (currently ~39.6% + 6.2% FICA + 1.45% Medicare + 4.63% Colorado state tax!)



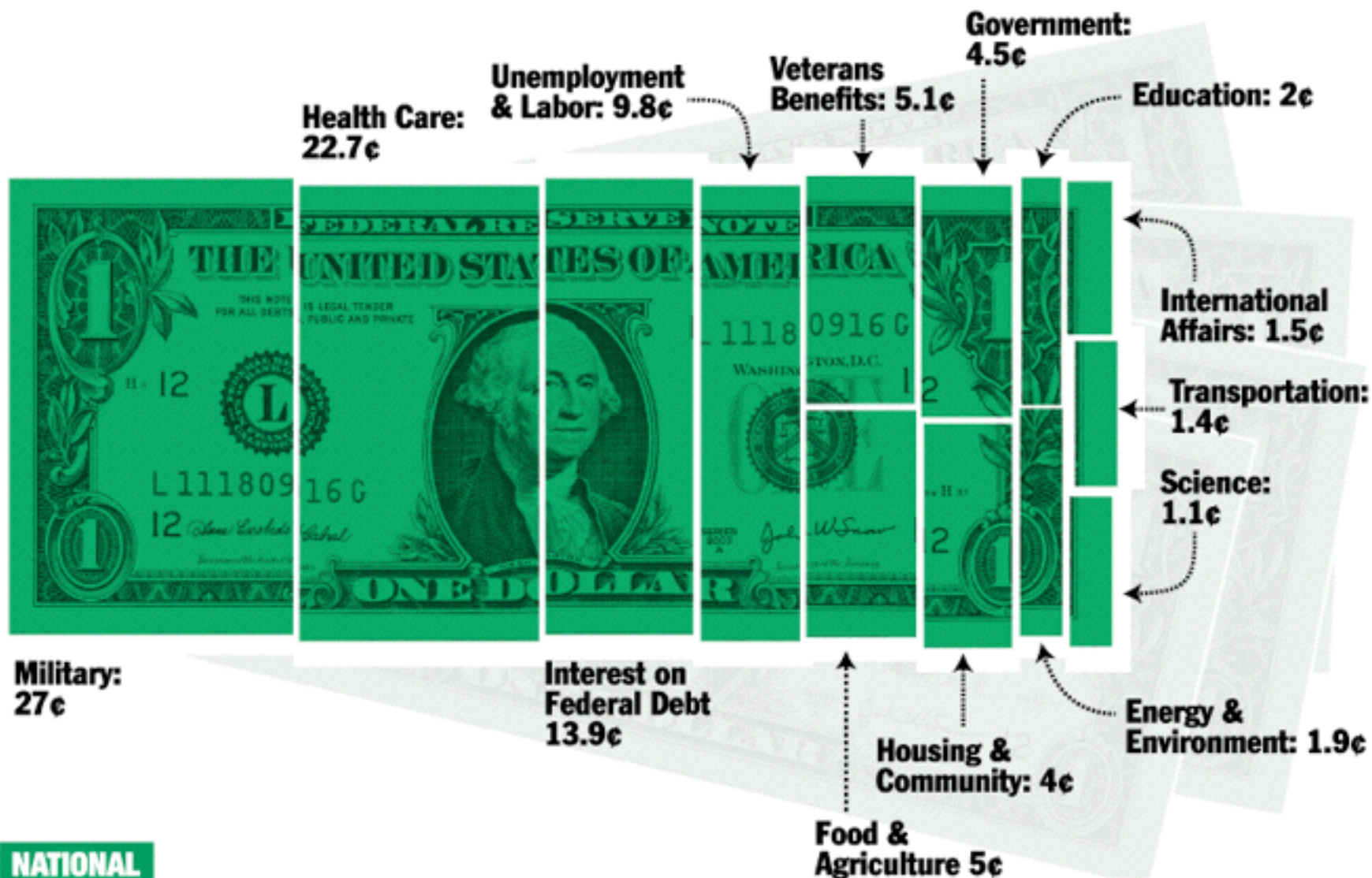
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# Where Your 2014 Tax Dollar Went



# Where Your 2013 Tax Dollar Went



**NATIONAL  
PRIORITIES  
PROJECT**

**30th  
ANNIVERSARY**

[nationalpriorities.org](http://nationalpriorities.org)

# Taxes In Retirement

At retirement, you will complete a new W-4P for withholding from your federal annuity

You will elect your state withholding online *after* your retirement claim has been finalized

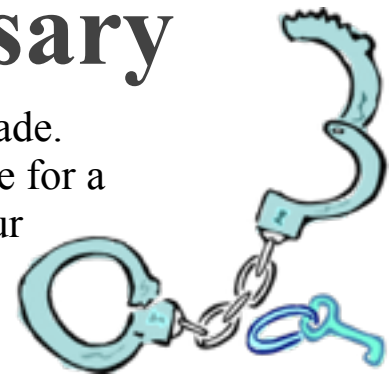
Unused annual leave is paid in a lump sum and withheld at the higher lump sum rates



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# The Magic Eligibility Anniversary

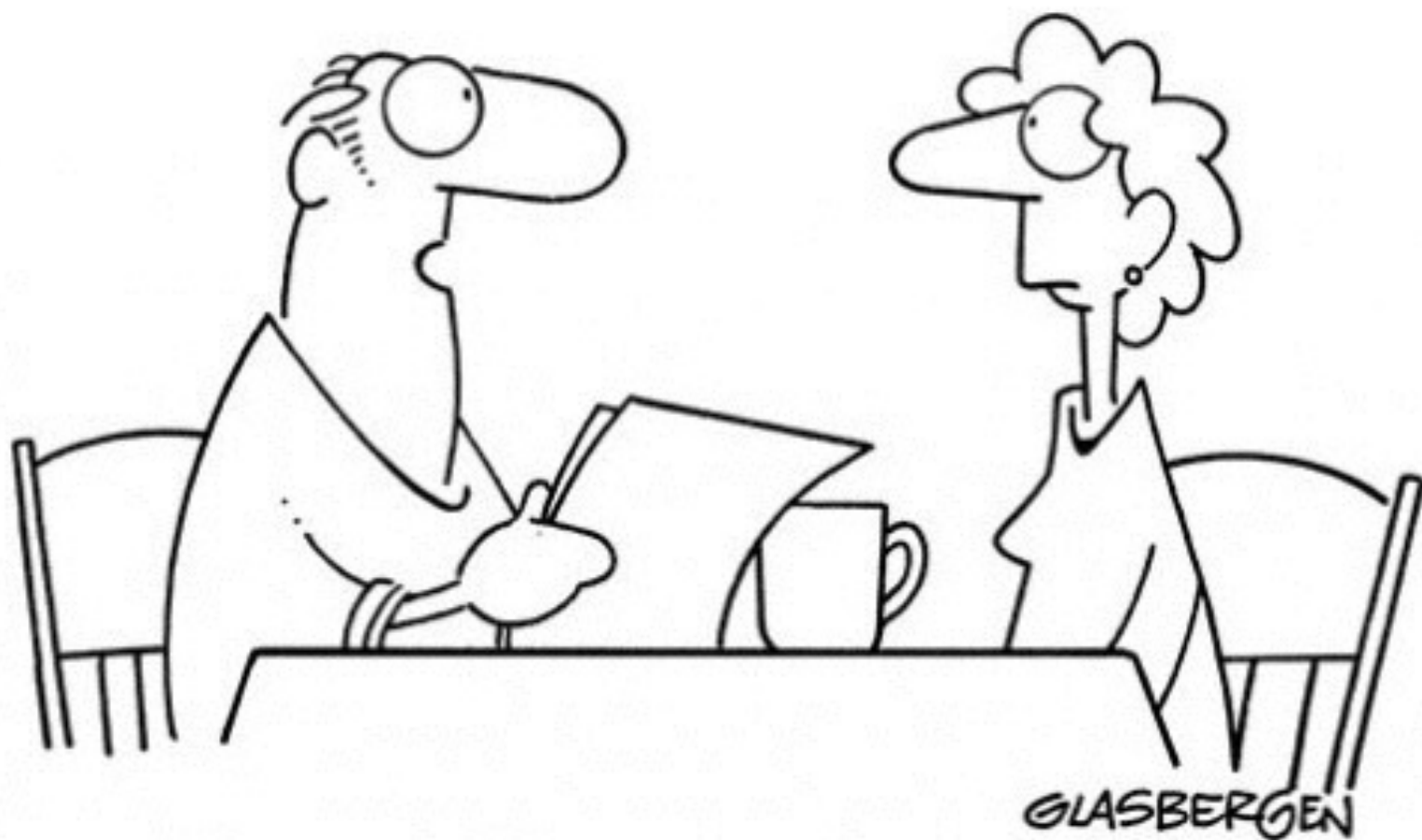
Once you become eligible to retire, there aren't a lot of major changes to be made. It's all about planning for the date and making sure all of the pieces are in place for a successful retirement. By this time, you may have paid off your home, put your children through college and be thinking more about where to retire than how.



Here are some things to look at during the final phase of your federal career:

- Understand the impact your Thrift Savings Plan will have on your retirement income. You are only allowed two withdrawals from the TSP, so you'll want to have a strategy for exactly how and when you'll withdraw funds from the TSP.
- Consider meeting with a financial adviser to have estimates run for your pension to compare with the estimate you receive from human resources. The human resources estimate will be used by OPM to calculate your interim pension amount until your retirement claim is adjudicated.
- Review your beneficiary designation forms. These include life insurance, TSP, and FERS retirement.
- Analyze your options for survivor benefits if you are married. In order to maintain federal employees health benefits if you pass away, your spouse must be covered by at least a minimum survivor benefit AND be covered by your FEHB when you die.
- Consider your need for health insurance in retirement. You will have the opportunity to change plans each Open Season, but if you're married, you want to be sure you've covered your spouse to ensure access to FEHB in case of your death.
- If you owe a re-deposit for refunds withdrawn from the retirement system that has not been repaid, expect a delay in the finalization of your retirement claim. OPM will offer you the opportunity to repay these funds before adjudicating your claim.
- If you have prior military service, make sure you have paid the deposit to allow you to count those years.
- Determine how much of your FEGLI you need to keep in retirement. By this time, you may have less need for ongoing life insurance coverage. While you do not want to pay for more coverage than you need, you want to be sure you protect your family.
- Consider changing the number of exemptions for withholding prior to your last paycheck to avoid over-withholding from your lump-sum annual leave payment.





**“Here’s our retirement plan: at age 65,  
we’ll get divorced then marry other  
people who planned better.”**

**Ann Vanderslice is a registered representative of Cabot Lodge Securities, LLC and an Individual Advisory Representative of CL Wealth Management. Ann Vanderslice, Retirement Planning Strategies, and Cabot Lodge Securities, LLC and Cabot Lodge Wealth Management are unaffiliated entities**



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